

HEARINGS
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
ON THE PROPOSED
TARIFF ACT OF 1921
(H. R. 7456)

IN EIGHT VOLUMES
VOLUME VI
FREE LIST

Revised and Indexed



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COMMITTEE ON FINANCE.

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PREFACE.

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

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

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

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

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

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

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

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

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

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

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

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

BOIES PENROSE, *Chairman.*

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

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

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

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

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FREE LIST.

AGRICULTURAL IMPLEMENTS.

[Paragraph 1504.]

STATEMENT OF FINLEY P. MOUNT, CHICAGO, ILL., REPRESENTING MANUFACTURERS OF AGRICULTURAL IMPLEMENTS.

Mr. MOUNT. Mr. Chairman and gentlemen of the committee, I am a manufacturer of agricultural implements, with factories located at Laporte, Ind.; Battle Creek, Mich.; and Toronto, Ontario. I represent not only our own company and its interests but likewise the National Association of Farm Equipment Manufacturers, with headquarters in the city of Chicago.

We ask for a duty on agricultural implements imported into this country from Canada, because practically all importations, as I understand it, of agricultural implements into the United States come from Canada, that will be equal to that imposed by Canada on imports from the United States into Canada.

The duty is now 17.5 per cent ad valorem plus 1 per cent importation tax on agricultural machinery, excepting tractors costing under \$1,400, which, by some order or some arbitrary ruling of the Government, have been for three years exempt from duty. I refer to those costing less than \$1,400.

This duty of 17.5 per cent plus 1 per cent importation tax gives the Canadian manufacturer an advantage over the American manufacturer in this way: For machinery to be shipped into the United States he buys his material in the United States, ships it into Canada, pays the duty, manufactures the goods, and ships back into the United States, and when he ships back he gets a drawback on his duty of 99 per cent. His costs, so far as wages and overhead are concerned, are practically the same as those in the United States. I make that statement upon my own responsibility, based upon the experience of our own operations in our Toronto plant as compared with those in our Battle Creek, Mich., plant. Some classes of mechanics may have a variation in wages, but on an average they will not vary greatly.

Take thrashing machines, in which I am interested chiefly, because we do not make a general line of implements, but confine ourselves largely to thrashing machines and machines of that type. Those machines he will ship into America or into the United States and sell on an absolute parity with us. He does not undersell us. So far as we know, no Canadian manufacturer has attempted to undersell an American manufacturer in the American market, but by reason of the adverse exchange that has always prevailed more or less and in the last three years has prevailed to a greater extent than

in the past, ranging until recently 10 per cent and better—it is down now to about 6.5 per cent; but it has been as high as 15 per cent—he is able, of course, to get substantially that much more profit on his importations into the United States than we could get as American manufacturers selling alongside of him in this country. And the rub comes when we undertake to meet him in the western Provinces of Canada, where we do most of our Canadian business—the Provinces of Manitoba, Saskatchewan, and Alberta—where we are confronted with the 17.5 per cent ad valorem duty and the 1 per cent importation tax, and naturally we feel that, in common fairness, we should be given an equal show with the Canadian manufacturer. It is here in his market that he does undersell us.

I have some general facts on the subject showing the importations of agricultural implements into the United States principally from Canada. I understand that more than 90 per cent of all importations of agricultural implements are from Canada.

For the month of November, 1918, they amounted to \$664,327; for November, 1919, they amounted to \$3,077,617; for November, 1920, they amounted to \$5,550,561.

Specifically the most marked increases in agricultural implements shipped from Canada to the United States duty free are as follows:

Cream separators, for the year 1918, \$72,854; 1919, \$40,886; 1920, \$125,875.

Senator SMOOT. Have you a brief on that?

Mr. MOUNT. Yes, sir; I have.

Senator SMOOT. You can just file that.

Mr. MOUNT. I shall do that. I shall be very glad to leave this with you, sir.

I will say that I think that covers the situation as we understand it.

Our situation personally is this: We have a plant in Canada which was originally devoted to the manufacture of thrashing machines. We have two plants in the United States. We could, so far as our own company is concerned, build our Canadian requirements in our Canadian plant, but if we do that we would not be able to fill our American plants. Our American thrashing-machine plants have been idle since last July. We prefer, therefore, to build in our American plants.

There is only one thing more. Perhaps it is not necessary to bring it before this committee, but I did put it in my brief. We understood that the Ways and Means Committee, when they prepared the bill, thought they had given us relief under Title III, sections 301 and 302, of the House bill. It was claimed that under these special provisions of Title III the President was empowered to provide, through negotiations, for reciprocal duties between Canada and the United States. That that does not apply to agricultural implements is brought out by the fact that they are on the free list. Congress having put these commodities on the free list, there is no power given, as the act came from the House, to make any adjustments or to make any changes or to put them on the dutiable list.

I apologize for putting that in for this committee. I really did it for my own sake in order to refresh my memory.

I shall be glad to answer any questions you may desire to ask.

Senator SMOOT. I think you have made it very clear.

Mr. MOUNT. I thank you.

BRIEF OF FINLEY P. MOUNT, REPRESENTING NATIONAL ASSOCIATION OF FARM EQUIPMENT MANUFACTURERS, CHICAGO, ILL.

The National Implement and Vehicle Association, at its annual meeting held in Atlantic City, October 21-23, 1920, adopted the following resolution:

"TARIFF RELATIONS WITH CANADA.

"Whereas the Canadian Government imposes various and ad valorem duties on agricultural implements, farm tractors, grain thrashers, and farm operating equipment of all kinds, when imported from the United States; and

"Whereas the United States Government permits the importation free from duty from Canada into the United States of farm implements, grain thrashers, and farm operating equipment of all kinds, thereby seriously placing the American manufacturers of the above-named products at a great disadvantage with their Canadian competitors, not only in connection with the Canadian trade but also in competition for trade in the United States; and

"Whereas during the past three years a large amount of farm implements, grain thrashers, and other farm operating equipment has been imported into the United States from Canada free of duty to the detriment of American manufacturers as above set forth; Therefore be it

Resolved, That the Government of the United States be requested promptly to adopt such measures, including such congressional action, as may be necessary to place the tariff laws of the United States on a reciprocal basis with those of the Canadian Government in so far as they relate to the importation into either country by the other of the manufactured products above referred to.

Resolved further, That the membership of this association appeal to their Representatives in the Congress of the United States to further the action of the Government requested in this resolution."

While the above resolution states the case for the industry in general terms, I would call your attention to the following:

Agricultural implements shipped to the United States free, principally from Canada, for the 11 months ending November 30, 1918, \$664,327; November 30, 1919, \$3,077,617; November 30, 1920, \$5,550,561.

Specifically the most marked increases in agricultural implements shipped from Canada to the United States duty free are as follows:

	Years ending Mar. 31--		
	1918	1919	1920
Cream separators.....	\$72,854	\$40,886	\$125,875
Harvesters and binders.....	12,861	5,065	437,232
Cultivators.....	7,120	12,267	73,714
Drills.....	7,154	6,686	19,675
Plows and parts of.....	15,847	77,574	670,695
Thrashing machines, separators and parts.....	14,716	17,529	1,597,498

It will be observed the most marked increase in these importations is that of thrashing machines. The figures submitted, of course, represent the machines imported for the thrashing year of 1919. I have no figures available to show what was imported from March 31, 1920, to the present time, which would include the thrashing machinery imported for the thrashing of the 1920 crop, but I have general information that the number of machines imported since March 31, 1920, was greater than in the year preceding.

We must pay on agricultural machinery exported from the United States into Canada 17½ per cent duty and an additional importation tax of 1 per cent. This does not apply to farm tractors costing less than \$1,400, a temporary order having been put in effect by the Canadian Government suspending the operation of the Canadian tariff on this size tractor, but which order is subject to be lifted at any time. I have no information one way or the other as to whether this order will be lifted in the near future or not.

The Canadian manufacturer can, of course, if he imports his raw materials from the United States, get a drawback of 99 per cent of the duty paid on

these materials when he exports the finished product back to the United States. The rate of wages in the industry is practically the same in the two countries. The Canadian manufacturer therefore from a standpoint of wages and materials is on a parity with the American manufacturer in selling thrashing machines in the United States. With the rate of exchange in his favor, varying from 6½ to 15 per cent, as it has during the past year, this gives the Canadian manufacturer a decided advantage over the manufacturer in the United States.

In the Canadian market the Canadian manufacturer, of course, enjoys the advantage of the duty against our machinery of 17½ per cent ad valorem and 1 per cent importation tax. He undersells the American manufacturer in the Canadian market and with his exchange advantage can undersell the American manufacturer in the United States, but I can not say that he has actually done so.

I believe in all fairness the American manufacturer is entitled to have a duty against Canadian farm machinery in exactly the same amount as Canada now imposes against farm machinery manufactured in the United States.

House bill 7456 places agricultural implements on the free list. It was the understanding in our industry that the Ways and Means Committee of the House of Representatives intended to give the farm-machinery industry relief in respect to Canadian importations and the attention of our industry was directed to sections 301 and 302 of title 3 of this bill. It was claimed that under these special provisions of title 3 the President was empowered to provide through negotiations for reciprocal duties between Canada and the United States. That this power does not give the President jurisdiction over cases where Congress has specifically placed the goods on the free list is quite clear from a reading of the sections above mentioned:

Lines 13 and 14, page 213, of section 301, authorize the President to provide "for a reduction of the duties imposed by this act," or, under lines 18 and 19, page 213, he may provide "for the transfer from the dutiable list of this act to the free list," or, under lines 1 and 2, page 214, he may provide "for the retention upon the free list of this act of such goods, etc."

There is no power given the President to do anything with reference to goods placed on the free list by the Congress other than to provide that they shall remain on the free list. No power is given the President to fix or provide for a duty upon any goods which Congress has expressly declared shall be free. The regulation is limited entirely to duties already imposed and authorized by Congress, except that the President can by treaty provide that articles now on the free list shall remain on the free list.

Section 302 of title 3, page 214, of the act, is limited by lines 17 and 18 to articles "upon which a duty is imposed by the laws thereof" and obviously the antecedent of "thereof," in line 18, must be the "United States" in line 17, and this interpretation is further strengthened by the fact that in lines 23 and 24 of this section, page 214, the similar products of the United States referred to are described as those "which, in view of the duties imposed thereupon when imported into the United States, he may deem to be higher and reciprocally unequal and unreasonable, he shall have the power and it shall be his duty, to suspend by proclamation said provisions of the laws of the United States imposing the duties upon such articles." This clearly limits section 302 to cases where each country imposes a duty and the President finds an inequality existing in the duties.

Section 303 provides, under certain circumstances (see lines 4 to 6, inclusive, p. 216) for a reduction of 20 per cent of duties now levied by this act.

If I am correct in my assumption that it was the intention of the House to make a provision whereby reciprocal duties could be established against importations of agricultural machinery from Canada to the extent that duties are now required by Canadian customs, then, I think, it is fair to conclude that this intention is not expressed in the House bill.

But whether it was the intention of the House to give this relief or not, the farm machinery manufacturers of the United States believe common fairness entitles them to ask for this reciprocal duty. As the matter works out, the Canadian manufacturer does not undersell the American manufacturer in the United States, but he makes a larger profit on goods shipped into the United States, and with this profit he is enabled to and does undersell the American manufacturer in Canada. This, of course, is wholly unfair and I believe our case is strong enough to merit particular consideration.

SCYTHES AND SICKLES.

[Paragraph 1504.]

STATEMENT OF WILLIAM K. PAYNE, AUBURN, N. Y., REPRESENTING MANUFACTURERS OF SCYTHES, SICKLES, GRASS HOOKS, AND CORN KNIVES.

Mr. PAYNE. The manufacturers of scythes, sickles, grass hooks, and corn knives are asking for a duty of 35 per cent. Under the present law and under the pending bill these articles are on the free list within the provision for all other agricultural implements of any kind or description.

Prior to 1913 and for a great many years they bore a duty of 45 per cent under the basket clause at the end of the metal schedule. We believe that we do not need 45 per cent but that we do need 35 per cent.

I have set forth fully our position in our brief, and I think, in view of the crowded schedule, the best thing I can do is to rest our case on the brief.

Senator McLEAN. How did you happen to be left out in the House bill? Did you bring the case to the attention of the committee over there?

Mr. PAYNE. One of the manufacturers, I believe, undertook to present the matter to the House and he appeared there one day and filed a brief, which seems to have been lost sight of, and the House temporarily overlooked the item entirely and took no action at all.

Senator McLEAN. Your brief covers the whole case, does it?

Mr. PAYNE. Yes, sir.

Senator McCUMBER. You may file it.
(The brief referred to is as follows:)

Under the tariff law of 1913 scythes, sickles, grass hooks, and corn knives have been admitted free of duty as "all other agricultural implements of any kind and description" in paragraph 391 of the free list.

In the pending House bill no change has been made in this provision.

Prior to the Underwood bill, for many years these articles were protected by a duty of 45 per cent under the general provision for "articles or wares not specially provided for, composed wholly or in part of iron, steel," etc.

COMPETITIVE COSTS.

At the present time the cost of manufacturing a dozen scythes in the United States is \$10.50. Adding the freight to the competing points in the jobbing centers—50 cents—and a profit of 14 per cent, these scythes are sold the jobber for \$12.50 per dozen.

The importers are freely offering competitive scythes of Swedish manufacture delivered at these competing points for \$9.50 per dozen. Scythes of Austrian manufacture are coming in to be delivered at the same competing points for \$9 per dozen.

The same approximate relation exists between the American and competing foreign selling prices of sickles, grass hooks, and corn knives.

THE INDUSTRY.

The making of scythes and similar edged hand implements is one of the oldest in the United States. Most of the manufacturers have been continuously in business for from 75 to 100 years, and many of them for an even longer period. The workmen employed are American mechanics, of the highest type. The product is, practically speaking, handmade, and the work requires long training and a high degree of skill. The great majority of those employed in the industry have been so employed for many years. In many instances their

fathers before them (and in not a few families even their grandfathers) have spent their lives working at the same trade in the same factory.

The industry is one of importance to the communities in which it exists. It is highly competitive. The margin of profit has always been kept reasonable through competition. It offers high-grade employment to a good class of American workmen. No good reason is known why it should not continue to receive reasonable protection from our tariff laws.

WHY PROTECTION WAS WITHDRAWN.

As above stated, this industry enjoyed a protective tariff until the act of 1913 placed its products on the free list under the provisions for "all other agricultural implements of any kind and description, whether specifically mentioned herein or not" (par. 391 of the free list).

This paragraph was framed, we are informed, for the purpose of giving to the farmer some relief from the high prices he was obliged to pay for the expensive farm machinery which, through modern scientific farming had become such a large item in the total expenses of the farmer. There was a strong feeling, both in Congress and among the farmers, that the price of much of this machinery was unjustifiably high, and that these high prices were caused, at least in some instances, by a more or less monopolistic control of the production of tillage and harvesting machinery.

Whether or not this feeling as to agricultural machinery was justified, and whether the remedy sought has been effective, we submit that scythes and kindred hand-cutting tools have no place in this paragraph.

The average cost of a scythe to the farmer, who uses it for from 5 to 10 years, is insignificant, and the free importation of foreign scythes could not reduced the farmer's expenses more than 5 cents per year under the most favorable calculation.

We submit that this possible saving in expense to the farmer is entirely too trivial to justify the wiping out of one of the oldest and best of the smaller American industries and one in which there has never been the least suggestion of monopolistic control.

Moreover, while the scythe is generally thought of as one of the farmer's tools, yet the fact is that the farmer is not the chief user of it. By far the largest users of scythes are the railroad companies, which use them in keeping down the grass on their narrow rights of way. On the farm the mowing machine and the better arrangement of the fields has done away with the use of the scythe to a surprising extent.

CONCLUSION.

We respectfully ask that scythes, sickles, grass hooks, and corn knives be restored to the dutiable schedule with a duty of 35 per cent ad valorem, and that the general provision for all other agricultural implements, if left in the free list, be so amended as to exclude these small hand cutting tools.

(Submitted by D. Wadsworth & Son, Auburn, N. Y.; North Wayne Tool Co., Hallowell, Me.; Winsted Manufacturing Co., Winsted, Conn.; Sibley Scythe Co., North Newport, N. H.; Kelly Axe Manufacturing Co., Charleston, W. Va.; Dunn Edge Tool Co., Oakland, Me.; Emerson & Sterns Manufacturing Co., Oakland, Me.; Rixford Manufacturing Co., East Highgate, Vt.)

CRUDE OR NEEDLE ANTIMONY.

[Paragraph 1500.]

STATEMENT OF G. C. RIDDELL, REPRESENTING THE WAH CHANG TRADING CORPORATION, NEW YORK, N. Y.

Senator McCUMBER. You may proceed, Mr. Riddell.

Senator SMOOT. You have testified once, have you not?

Mr. RIDDELL. Yes, sir.

Senator SMOOT. You testified on antimony ore?

Mr. RIDDELL. Yes, sir.

Senator SMOOT. We have all that testimony.

Mr. RIDDELL. I shall take but very little of your time. I merely want to speak in reference to paragraph 1509, and I shall then file for the record, if I may, a statement which will show the situation clearly.

Senator SMOOT. I remember that you were speaking on this paragraph before.

Mr. RIDDELL. Arriving at paragraph 1509, we find a strange provision in the House bill, on which I want to throw the searchlight for just a moment.

Back in paragraph 376 of the metal schedule an increased duty was placed upon antimony metal. The present act carries a duty of 10 per cent ad valorem on antimony metal and other products of antimony, but in the House bill one of these products, called needle or liquated antimony, has been for some reason transferred to the free list and the duty thus removed completely. This appears to be nothing more or less than a joker which will entirely remove the tariff on antimony and its more important products.

Senator SMOOT. What you asked us before was to take this antimony—needle and liquated antimony—and put it in paragraph 376 under the heading "Antimony"?

Mr. RIDDELL. Exactly.

Senator SMOOT. That is what you asked before?

Mr. RIDDELL. Yes, and that is what we are asking now.

I have here a proposed revision of paragraph 376, which places the two products on a compensatory basis, the differential between antimony metal and crude being one-half cent per pound.

Senator SMOOT. That is just what you said before.

Mr. RIDDELL. Yes, sir.

Senator McCUMBER. Then you are not giving us anything new, are you?

Mr. RIDDELL. No; except that the free-list paragraph is now before you and I want to emphasize this fact.

Senator SMOOT. You merely want to draw attention to it?

Mr. RIDDELL. Yes. With your permission, I should like to place this in the record.

Senator McCUMBER. Very well.

(The brief referred to is as follows:)

In a communication to your honorable body under date of August 11, it was our privilege to respectfully call attention to a dangerous inconsistency in the antimony schedules of the new tariff bill H. R. 7456. If the United States Treasury is to receive the revenue desired and intended on an important article of our import commerce—antimony metal—paragraphs 376 and 1509 must be corrected.

Under the present (1913) act both antimony metal and antimony "crude" or "needle" are dutiable at 10 per cent, but paragraph 1509 of the new bill removes antimony "needle" or "liquated" to the free list, while paragraph 376 retains antimony metal on the dutiable list at 1½ cents per pound. Under paragraph 1509 the free entry of the antimony product known as "needle" or "liquated" would eventually completely eliminate the importation of the 7,000 or 12,000 tons of antimony metal and oxide that are now brought into this country annually. We do not believe that this is the intent of the new tariff legislation, nor do we believe that it is realized by Congress that this would happen as surely as night follows day.

Paragraph 1509 is nothing less than a joker which will give the four or five firms in this country that are in the antimony refining business a monopoly; but in so doing it will wipe out the present tariff revenue on Chinese antimony. The "needle" or "liquated" form of antimony can very easily be made into

either antimony metal or oxide, and it would be this "needle" or "liquated" form of antimony that would become under the new bill the article of commerce, a commodity which would be shipped here from China for conversion into metal or oxide.

Without the slightest fear of contradiction, it may be stated that the United States must, in the main, continue to import its antimony supplies—the natural deposits of this country being deficient. It is further an absolute certainty that the bulk of the antimony supply of the world must continue to come from the Chinese deposits.

As importers of the product and representatives of the Chinese industry, we would take no issue with the removal of all duties on antimony products, if such were the pleasure of the American Congress and people; but we desire to call attention, as emphatically as we may, to the grave consequences in both the United States and China of the removal of one duty—that on "antimony needle, liquated or crude"—without the simultaneous removal or compensatory adjustment of the other—that on antimony metal. The United States will be deliberately cheated out of the revenue it expects to obtain, as of old, on antimony importations if the product known as "needle, liquated or crude" is transferred as in H. R. 7456 to the free list, and at the same time the long-established Chinese smelting industry will be virtually ruined—all to no useful purpose.

The differential between antimony metal and antimony "crude, liquated or needle," should be $\frac{1}{2}$ cent per pound. If metal is to be dutiable, as in paragraph 376, at $1\frac{1}{2}$ cents per pound, "crude" or "needle" should carry 1 cent per pound. Paragraph 376 should be revised to read as follows:

"Antimony as regulus or metal and alloys thereof, in which antimony is the constituent of chief value, $1\frac{1}{2}$ cents per pound; antimony as crude, needle, or liquated, 1 cent per pound."

The United States Tariff Commission is in full knowledge of these facts concerning the antimony industry and we are entirely confident that your honorable body may obtain from this commission a complete verification of the statements we have set before you in our letters of August 11 and December 6.

SULPHIDE OF ARSENIC.

[Paragraph 1518.]

STATEMENT OF HENRY M. EAKIN, WASHINGTON, D. C.

MR. EAKIN. I speak on the question of sulphide of arsenic.

I am appearing here at the request of Hon. Lindley H. Hadley, of the State of Washington, and Hon. Wesley L. Jones, United States Senator, also from Washington, and in behalf of some of their constituents who are interested in arsenic sulphide, which is a partially developed resource of the State of Washington. They have deposits of this resource out there which have been developed to the point of being equipped for production, but owing to the exigencies of the times and to reductions in price at the present time the industry is inoperative.

Senator SMOOT. What are you asking for?

Mr. EAKIN. Five cents specific duty per pound on the red arsenic.

Senator SMOOT. Mr. Loeb was asking for 10 cents.

Mr. EAKIN. Well, he was asking for that on the metallic arsenic. We want it on the arsenic sulphides. There are three arsenic products.

Senator McCUMBER. He divides them into a little different classification than you do. He speaks of white arsenic.

Mr. EAKIN. Yes.

Senator WATSON. Are metallic arsenic and sulphide of arsenic the same?

Mr. EAKIN. No. The sulphide of arsenic is realgar while the metallic arsenic is the pure metal.

Senator SMOOT. You want 5 cents a pound on the sulphide of arsenic?

Mr. EAKIN. Yes.

I have not prepared a brief because the record will be brief enough. I think that I can show the situation as it affects the industry in that part of the country by reading a part of a letter addressed to Mr. Hadley:

In order to acquaint you with the circumstances surrounding the American Arsenic Co., of Burlington, Wash., which seems to lend unusual merit to their plea for a reasonable protection for the arsenic sulphide industry in the new tariff schedule, I submit the following notes pertaining to the property, history of development, and outlook of this enterprise:

The property consists of two mineral claims situated in the Cascade Mountains, a few miles northeast of Gold Bar, a town on the Great Northern Railroad in Snohomish County, Wash. The claims cover the known extent of the minable deposit of realgar, the natural red sulphide of arsenic.

Senator McCUMBER. This is not a by-product, is it?

Mr. EAKIN. No, sir. This is the natural red sulphide of arsenic. It is also manufactured either from arsenical pyrite or from by-product white arsenic.

Senator McCUMBER. This is a different proposition from that advanced by the other witness who was speaking of the by-products.

Mr. EAKIN. Yes. This is not a by-product.

The property was first located some 20 years ago, but it remained undeveloped until the great demand for the mineral during the war and the consequent high price paid for it gave promise of profitable exploitation.

This was a war mineral used in lighting and pyrotechnic work.

Active development began in 1918. The deposit was opened up by drifts and open cuts until a horizontal extension of the lode for over 200 feet, and a vertical extension of over 600 feet, was revealed and a large tonnage of ore (5 per cent to 10 per cent) was assured.

Trails suitable for pack animals were constructed, material for the construction of a mill with suitable housing for machinery and men was brought in—the lighter by pack train and the heavier pieces by laborious work with hand windlass up the mountain slopes.

Senator SMOOT. What is the average percentage of arsenic?

Mr. EAKIN. Five to 10 per cent.

Senator SMOOT. Would it average 7 per cent?

Mr. EAKIN. Yes.

Senator SMOOT. That would be 140 pounds to the ton.

Mr. EAKIN (reading):

At the end of the summer of 1920 the mill was completed, the available funds of the company were exhausted, and the price of arsenic sulphide was low and still falling. After a short trial run, which produced a good commercial grade of arsenic sulphide and demonstrated the inability of the plant to make a profit in competition with the artificial arsenic sulphide from Europe now supplying our markets, the plant was shut down and has since remained idle.

The arsenic sulphide used in this country is made from arsenical pyrite and is a poisonous pigment. I do not believe I need to expand on the subject of competition with the labor of countries with depreciated currency.

Senator SMOOT. What is it worth a pound to-day?

Mr. EAKIN. The last quotation was something like 11 cents.

The cost of mining, milling, and delivering arsenic sulphide to the eastern market from this district under present conditions would be close to 18 cents a pound. The October, 1921, quotations in this market are 11 cents to 12 cents a pound. A duty of 5 cents a pound would put the domestic product on a safe competitive basis and assure an adequate development of the industry.

The situation is summed up in the Tariff Survey, on page 11:

Arsenical sulphide was mined during the latter part of 1917 by the Chipman Chemical Co., in Brinton, Va. This was the only mine being operated for arsenic alone in the United States, although arsenical pyrites had been mined commercially in other countries. This mine, however, was shut down soon after the signing of the armistice. In 1919 and 1920 operators in Nevada opened up several deposits of arsenical ores containing minor values of precious metals. Production at the rate of 2,000 or 3,000 tons annually was anticipated in the early part of 1921. Adequate ore supplies are said to have been developed to maintain production for many years.

But the product from Nevada was diverted to the Tacoma smelter to enrich their flue gases and really entered into competition with by-product arsenic trioxide rather than with the artificial arsenic sulphide. There was not the call for the construction of special equipment to recover this as arsenic sulphide. They calcined it into arsenic trioxide and it became a product of that commodity rather than arsenic sulphide, so that it leaves the United States at the present time with very little or no production of arsenic sulphide. It appears that instead of being an infant industry the thing is "still-born." Mines have been developed and equipped, but there is no activity.

Senator McCUMBER. It is one of those war babies that died aborting?

Mr. EAKIN. Exactly.

Senator SMOOT. We have a different situation to meet in the West than you have. You have simply the arsenic ore to handle with no other metals in it. When we mine for copper or silver or gold and there is arsenic in that, we are penalized for every unit of arsenic there is.

Mr. EAKIN. But still with the Cottrell process that is thrown down in the fumes and saved as a by-product.

There is an opportunity to produce a superior product, a non-poisonous pigment of the finest quality. We have American capital invested up to the point of production, and with a little encouragement a large share of our American demand for that product would be supplied. I think that the consumption in the United States runs very little over 1,000 tons a year, and from this source alone I believe that 500 tons would be a conservative estimate of what they could produce soon, and if other possible mines were to develop they might produce even more than the balance needed to completely supply our domestic needs.

ASBESTOS (CRUDE).

[Paragraph 1515.]

STATEMENT OF HON. HENRY F. ASHURST, UNITED STATES SENATOR FROM ARIZONA.

Senator ASHURST. My first duty is to thank the chairman and the committee for the opportunity to present this subject. I am here, respectfully, of course, to urge the committee to consider the advisability of an import duty or tariff on the raw asbestos—the fiber. I have a brief which has been prepared by some asbestos producers in Arizona—Mr. George A. Thayer and Mr. Roger Q. Kyle, of the Association of Asbestos Mines of Arizona—and I will read the brief because it has been carefully prepared.

The CHAIRMAN. You can read it or call attention to the important points and have it printed.

Senator ASHURST. After reading the same I will then ask permission to have the brief included in the record [reading]:

Definition.—Chemically, asbestos is a magnesium silicate containing water of crystallization and, in its various forms, impurities of iron, calcium, aluminum, and soda in a great many different amounts and combinations.

Among the more important substances included under the general trade name of asbestos are chrysotile (serpentine asbestos), amphibole asbestos (including fibrous varieties of tremolite and actinolite), anthophyllite asbestos, crocidolite (Cape Blue asbestos), and amosite. Speaking in the parlance of ordinary usage, asbestos is a mineral fiber which occurs in rock.

Uses.—Asbestos fiber has been known and used as a heat insulator for over 2,000 years. In the last half century its uses have become more frequent, and since 1888, when asbestos products were first placed on the dutiable list, the industry has grown from a capitalization of a few hundred thousand dollars, and employing not over 100 men, to the industry of to-day, with a capital of over a hundred million dollars and employing over 20,000, with an annual business turnover equal to the capital, or \$100,000,000. The methods of mining and manufacturing asbestos have so improved during this period and so many new beneficial uses have been found for it that it has become indispensable to industry and the household, and nothing can be adequately substituted for it. It finds most extensive uses as an electro-thermo insulator, as a fire resistant and protection, for packings, and as a fuel conserver. It has been authoritatively stated that the use of asbestos and kindred materials on heating and power units saves an amount of fuel per year equal to that consumed.

The ramifications of its uses for this purpose have only started, but are broadening and becoming more universal in increased proportions each year. Another great use for asbestos products is as a substitute for inflammable shingles and for fireproofing frame buildings. One witness, in testifying before the Committee on Ways and Means on the hearing on the sundries schedule, recently stated that \$8,000,000 worth of wooden shingles were replaced in 1920 by asbestos shingles, and that each succeeding year should see a material increase in this amount.

SOURCE AND CONTROL OF RAW ASBESTOS FIBER, CANADIAN FIELD.

Asbestos exists in some form on every continent and in nearly every country in the world. The world's production of asbestos in 1919 was approximately 166,000 tons. The production for 1921 was considerably larger, as the figures show that the Canadian field in 1921 mined 3,096,122 tons of asbestos ore, which, after treatment, yielded 3,853 tons of spinning and No. 2 fiber, and 186,896 tons of low-grade mill, shingle-paper stock, and sand. Nearly 90 per cent of the Canadian output is shipped to the manufacturers of the United States, most of which comes from the Province of Quebec. The remainder goes to Europe, where it is sold at a so-called slight advantage to the English spinner. As a matter of fact, for 40 years the British have controlled the world market for

the raw asbestos ore and the crude product after it has passed the initial stages of treatment. The other foreign prospective sources of raw and partially treated fiber are South Africa, which is said to be, next to the Canadian, the largest asbestos field in the world. This field is also controlled by British interests.

1919 production.

	Tons.
Canada -----	157,572
South Africa -----	9,789
China -----	2,000
United States -----	1,361

Until the year 1914 Canada ranked as the leading producer of all grades of asbestos, but since that date South Africa has attained first place in the production of the higher grades. Canada still produces most of the mill fiber. Seventy-five per cent of the world production of asbestos was imported into the United States. Russia, although possessing large and valuable deposits of asbestos, is at present a nonproducer. The chief producing centers in the United States are Arizona, California, Georgia, Maryland, Oregon, Wyoming, and Vermont. Of the 1,361 tons produced in 1919, Arizona produced 423 tons, all of which was of the highest grade. Practically the entire spinning fiber production of the United States comes from Arizona, and it is believed that the production of asbestos in Arizona in 1920 exceeded 1,000 tons. Because of the large number of small producers, it is very difficult to secure absolute figures on production.

An attempt has recently been made to force American manufacturers to move their plants to Canadian territory by threats of placing an embargo on the export of the better grades of Canadian fiber, with the result that at least one of the larger American manufacturers has started construction of an enormous Canadian plant.

The British control of this commodity has been greatly augmented and strengthened by large holdings or control in American manufacturing plants and the maintenance of an ever-ready and seductive propaganda to keep a material tariff on all manufactured articles and off of all raw fibers. By the same methods these organizations have operated in every country in the world where the game was worth the candle.

ARIZONA FIELD.

The greatest, although by no means the only domestic source of supply of raw or partially treated crude fiber is what is known as the Arizona field. Although originally quite extensive, a recent act of Congress made it possible to locate and lease deposits heretofore unavailable but long known to occur on Arizona Indian reservations. This field has been investigated to considerable extent by the United States Geological Survey, the Bureau of Mines, the University of Arizona, and by various private engineers. There is a pronounced consensus of opinion that the field is several thousand square miles in extent, and at least extensive enough to produce sufficient quantities of the better grades of fiber to supply the domestic requirements for many years to come, and that the quality of the better grades of fiber so produced is the equal in all respects, and the superior in many respects, to the Canadian and South African fibers.

COMPARISON OF THE OCCURRENCE, GEOLOGY, AND METHODS OF MINING IN THE ARIZONA VERSUS CANADIAN AND SOUTH AFRICAN FIELDS.

Asbestos is prepared for market by being mined in various ways and then being separated by hand or machinery from the rock which encases it. No matter what its geographical or geological occurrence may be, always an extensive treatment is invoked, involving material endeavor and employing to a material extent skilled labor and machinery. After asbestos fiber receives this initial preparation, which is at least as extensive as the final manufacture, it is then fiberized, spun into yarn, woven, or made up into any one of the thousand and one articles into which it is finally made.

The manner of occurrence of any given deposit of asbestos determines the method of mining. In Canada the mineral fiber occurs in lenses or vein-like masses of serpentine that occurs in a series of Cambrian slates, schists, and diorites. In plainer phraseology, the asbestos fiber occurs disseminated through

vast mountains of rock as low grade, so that the mining method practiced in Canada has conformed to the geological occurrence of the ore, and the quarry and open-cut system is used. Great pits are worked by derrick and drag, and steam shovels open up pits to a depth of over 200 feet, frequently attaining a length or circumference of over 1,000 feet. Nearly all mines practice hand cobbing and hand sorting before the ore is sent to great mills, where it goes through a system of crushers, rolls, fiberizes, beaters, cyclones, shaking screens, fans, collectors, and pulverizers.

In 1920, in the Province of Quebec, Canada, the average number of men employed in mining and treatment of asbestos ore were 3,230. In addition to this number of men a material number of girls were employed at times.

In the various South African fields, kaffirs and natives are employed at the rate of not to exceed 25 cents per day, and labor is so cheap and plentiful that nearly all the fiber is said to be secured by hand methods, frequently of the crudest kind.

The Arizona field, although proven to be of great extent, is held principally by small mine owners, although several of the larger manufacturers have recently become interested and have started development and production on a larger scale.

The Arizona Asbestos Association (controlled by the Johns-Manville Co.) have a developed property on Ash Creek, near Globe, with many thousand feet of underground workings, from which a material production is maintained. Neither does the company permit underground examination nor indulge in furnishing statistics in production, so no authentic figures can be given.

Other properties with a material amount of fiber developed are:

Regal mine, operated by Regelman, of 220 Broadway, New York; Bear Canyon group and Peninsula group, on the San Carlos Indian Reservation; Salt River draw group on the Fort Apache Indian Reservation; the Canadian, Last Chance, Fourth of July, and Asbestos King mines owned by Col. William G. Shanley; Pierce and Kyle group; Alene Asbestos Association, American Ores & Asbestos Co., controlled by Raybestos brake-lining people; Bass Asbestos Co., Colorado-Arizona Asbestos Mining Co., Globe Asbestos Co., Hance Asbestos Co., H. P. Wightman; Penn Asbestos Mining Co.

All the above-enumerated companies are located in the so-called Globe field except Bass Asbestos Co. and the Hance Asbestos Co., which are in the Grand Canyon.

In addition to these properties, which are at least partially developed and of major extent, there are others of extreme promise, and many prospects which could produce at least in a small way, located with considerable profusion from the Grand Canyon to the Mexican line. In fact, with a suitable market, asbestos mining is a poor man's game and no doubt the day of the old "chlorider" would return with the greater volume of production coming from the little association of miners who owned one or two claims or leased a small block of ground from some small owner.

In the Arizona field only underground methods of mining can be employed; the veins, though numerous and sometimes possessing great continuity in length, are narrow. They are frequently as much as 60 miles from railway transportation, over very rough roads or trails.

LABOR COSTS IN MANUFACTURE.

The sundries schedule of the present tariff bill before Congress places a duty of from 2 cents per pound upon short fiber asbestos paper to \$1.68 per pound on the finer grades of asbestos yarn. To substantiate the justice of this tariff on yarn, evidence was introduced to show that asbestos textile workers received approximately the following wages in the various countries of the world:

Weavers (per week):

United States.....	\$39. 00
Germany.....	4. 35
Japan.....	6. 00
England.....	17. 70
Belgium.....	9. 68

Added to this great labor advantage the European manufacturer has obtained control of the second largest asbestos deposits (in Rhodesia and South

Africa) where the raw asbestos is produced by Kaffir labor at an average wage of 25 cents per day.

We believe firmly, with these figures in view, that \$1.68 is not excessive duty upon the better grades of yarn, but in believing this we also believe that the better grades of Arizona fiber, which in being prepared for this yarn involves more skilled labor than the manufacture of the yarn itself, are as much entitled to protection as against the Kaffir labor of 25 cents per day, as the weaver in America who makes \$39 per week is entitled to protection in his standard of living against the weaver in England who receives \$17.70 per week. Incidentally, the present rate of wages for miners in the Arizona asbestos field is in excess of \$4 per day.

JUSTIFIABLE TARIFF.

In 1920 the imports from asbestos fiber from Canada were valued at \$9,120,253. A 30 per cent ad valorem duty would have produced nearly \$3,000,000 in revenue.

The demand for asbestos products is rapidly increasing. With the increasing South African importations produced by Kaffir labor at 25 cents per day it is quite probable that shortly the revenue from a 30 per cent ad valorem duty would pass \$5,000,000 per year. A very material sum should our domestic fields not supply a major portion of the countries' needs for initially prepared fiber.

There are a good many reasons why an ad valorem duty would not be practical in its operation in the better grades of spinning fiber but should be highly so in the matter of the cheaper grades.

We believe that the approximate cost of delivering the better grades of Arizona fiber that go into the yarns upon which the manufacturers receive a protection of \$1.68 per pound, cost at least 30 cents per pound more to prepare and produce than the fiber produced by Kaffir labor at 25 cents per day and we believe that our so-called Arizona No. 2 fiber, being one-fourth to three-fourths inch in length, costs at least 20 cents per pound more to produce, prepare, and deliver to the manufacturing centers than that produced by the same Kaffir labor.

Hence, we recommend that a flat duty of at least 20 cents per pound be placed on all asbestos ore and fiber.

We beg to say in closing that the active attempts of the British to gain control of the world business in asbestos products by controlling the world supply of raw materials can best be thwarted and a domestic supply for the American manufacturer readily secured by giving this field the initial protection against the cheaper labor of Africa and Canada.

Respectfully submitted.

ASSOCIATION OF ASBESTOS MINES OF ARIZONA,
By GEO. A. THAYER, *Globe, Ariz.*

Senator SMOOT. What rates are you asking?

Senator ASHURST. Twenty cents per pound.

Senator SMOOT. What are they asking?

Senator ASHURST. I will read the paragraph of the brief entitled "Justifiable tariff," as follows:

In 1920 the imports from asbestos fiber from Canada were valued at \$9,120,253. A 30 per cent ad valorem duty would have produced nearly \$3,000,000 in revenue.

(Senator Ashurst then exhibited to the committee numerous samples of Arizona asbestos.)

Senator SMOOT. They are asking 30 per cent?

Senator ASHURST. Yes; as you know, asbestos is a mineral wool, a nonconductor of heat, and used in manufacture of theater curtains, firemen's gloves and shirts, and it is, of course, inflammable. It is a silky, mineral substance, and it has a number of technical names with which I will not encumber the record.

The CHAIRMAN. Does it exist in great abundance in Arizona?

Senator ASHURST. It exists in abundance as to mass, but that mass is scattered over such a large extent or area that the mining is very expensive.

Senator SMOOT. Is that not characteristic of the product everywhere?

Senator ASHURST. Possibly.

Senator SMOOT. You do not believe the United States can produce enough asbestos or mineral wool to take care of the demands of the United States, do you?

Senator ASHURST. It is the opinion of the gentlemen who prepared this brief that within a few years this industry would be able—that is, our own American supply—will be able to take care of all the demands here in the United States.

I will ask permission to leave these sacks of samples of Arizona asbestos here before the committee for your examination. The superiority of the Arizona asbestos arises not alone from the length of its fiber but from the fact that there is no iron in the Arizona asbestos, which thus renders it a surer nonconductor of heat than if it possessed iron.

JUTE BAGGING FOR COTTON.

[Paragraph 1517.]

STATEMENT OF JULIUS WERNER, PRESIDENT OF MENTE & CO. (INC.), MANUFACTURERS OF JUTE BAGGING AND BAGS, NEW ORLEANS, LA.

Senator SMOOT. You were here previously in reference to the bagging business?

Mr. WERNER. Yes, sir; before the Ways and Means Committee.

Senator SMOOT. I thought I remembered it. Was there anything more you desired to say in addition to that?

Mr. WERNER. I would like to say a few words. I am here representing the independent manufacturers of jute bagging for covering cotton, and I am asking for protection against the cheap coolie labor in India. I am specially asking for it now on account of two of the American manufacturers moving plants to Calcutta. Heretofore when appearing before every tariff committee these two manufacturers have always asked for a duty on bagging for covering cotton, and this year they have not appeared at all.

They have been manufacturers of about 50 per cent of all bagging that is manufactured in this country; and the only reason why we could compete against free tariff which has been in effect for about 8 years was that they manufactured the larger percentage of it in this country and a very little was imported. But now they have moved their plants to Calcutta, and if we do not get protection fully 90 per cent of what is used in this country will be imported by them, and in a brief time the independent manufacturers will be destroyed.

If you would allow me, I would like to read just one or two briefs that they had in previous tariffs, which emphasize their demands.

Senator McCUMBER. Have not the briefs already been printed as a part of the testimony?

Mr. WERNER. Not in this year's testimony. I am reading from brief of Ludlow Manufacturing Associates, pages 4945-4947, inclusive, of Tariff Hearings, Committee on Ways and Means, 1908-1909, Schedule J.

Senator McCUMBER. Very well, if it is short.

Mr. WERNER (reading):

Mr. MAGNER, I represent, Mr. Chairman and gentlemen of the committee, all those manufacturers who are engaged in the manufacture of what is known as jute cloth made from jute butts in the United States. They are the Peru Bagging Manufacturing Co., of Indiana; the Ludlow Manufacturing Associates, of Ludlow, Mass.; and the American Manufacturing Co. The Ludlow Associates have a large plant, 30 acres in extent, at Ludlow, Mass. The American Manufacturing Co. have different plants, several plants in St. Louis, one at Galveston, one at Charleston, and they have two large plants in Brooklyn, New York City, my native city.

We present here to-day from all of these manufacturers a memorial. We have now in process of preparation, and later will present to the committee, a table giving the relative cost of production of this fiber, of the manufactured article, in India and in America, the amount produced, and everything relating to it, both in the production and manufacture in Calcutta and in the United States.

I am going to skip some of this. [Reading resumed:]

Mr. Metcalf has presented his argument to the committee, and we agree with him and agree to take a reduction in the amount of tariff on that (referring to sisal, manila rope, and cordage). We also are engaged largely in the manufacture of jute twine, and we agree to take a reduction on that. Mr. Smith, who will speak later on, will represent us. We have asked for an increase in the duty on bagging. We ask for it because we compete with the lowest-priced labor in the world, namely, the Calcutta Indian labor. We ask for it because all our supplies and our machinery are taxed under the tariff now 45 per cent, and we call attention to the fact that after the adoption of the Wilson bill, when these articles were placed on the free list, there were engaged in the manufacture of these articles at that time nine separate corporations, and they have dwindled down to the present three; and we say that unless we receive a fair amount of protection these three will go out, as the are rapidly going out, of the manufacture of cotton bagging. That is a calamity which will be visited alike upon our manufacturers and upon the farmer. It will ultimately place us at the mercy of the East Indian Calcutta combination, which we think is an evil.

Senator SMOOT. Are you asking for 1 cent and 25 per cent, the same as Mr. Simpson did?

Mr. WERNER. We are asking for 1 cent a pound on jute bagging for covering cotton. The pending bill, as reported to your committee, puts 1 cent a pound duty on burlap; that is, for making jute bags; but it is entirely a different article from bagging for covering cotton. In the last bill cotton ties or steel bands and bagging were free, and I notice in the tariff they have put ties down at one-quarter cent a pound, which is 11½ cents a bundle, and they have left bagging free, which really would mean the dismantling of our factories and junking of our machinery unless we get this protection, because these two large manufacturers have gone to Calcutta. They have contended in all previous tariff hearings that they could not live unless they got a duty, and the independent manufacturers who desire to keep their factories in America must get the needed protection.

Burlap has been put on the duty list at 1 cent a pound, which taxes the eastern, western, northern, and southern farmer on bags for his oats, rye, and other grain, and we can not understand why bagging for cotton was put on the free list.

As I wish Mr. Manson, of Young & Metzner, to also appear before the committee, I am not going to detain you longer, but request permission to conclude my testimony by inserting a short brief, which sets forth specifically our needs; that is, we desire to be classed under paragraph 1008 and have paragraph 1517 stricken from the bill.

BRIEF OF JULIUS WERNER, NEW ORLEANS, LA., REPRESENTING MANUFACTURERS OF JUTE BAGGING AND BAGS.

The independent manufacturers of jute bagging for covering cotton, with factories in Massachusetts, New York, New Jersey, Virginia, North Carolina, Georgia, Louisiana, and Texas, who desire to keep their factories in America, must have protection of at least 1 cent per pound if they are to continue in business. Without this protection they can not compete with the bagging combine—Ludlow Associates, Ludlow, Mass., and American Manufacturing Co., New York City—who have moved their plants to Calcutta, India.

We therefore ask that paragraph 1008 remain as it is and paragraph 1517 be stricken out entirely. Such action will place jute cotton bagging on equality with burlap, which is the sacking or wrapping material used for all other agricultural products, such as corn, oats, wheat, rice, sugar, cotton seed, fertilizers, etc.

Jute bagging for cotton, unlike burlap, has in the past been almost wholly manufactured in America; indeed, only about 6 per cent was imported, whereas less than 1 per cent of the burlap used has been manufactured in America. In the past the independents have supplied approximately one-half the quantity of bagging used for the entire cotton crop of the United States. With bagging on the free list it would be only a question of time until all bagging will be imported and the independents forced to close their factories.

While burlap, bagging, and steel cotton ties are on the free list in the Underwood-Simmons Act, these three articles have always in Republican tariff acts borne a duty. But in the pending Fordney bill, as reported to the Senate Finance Committee, bagging alone of the three articles is free listed.

In asking that the duty on bagging be fixed under paragraph 1008, we wish to call attention to the fact that 1 cent per pound is the minimum amount that will afford the protection needed. The rate of six-tenths cent per square yard of former Republican acts will not be sufficient on account of labor rates advancing over 100 per cent, and that from now on a large amount of the imported bagging will weigh 4 pounds to the square yard instead of 2 pounds. Six-tenths of a cent per yard is only about one-eighth cent per pound and would furnish, in fact, no protection against the competition of Ludlow associates and American Manufacturing Co. now domiciled in India.

We can not believe the Republican Party is willing to adopt a free-trade policy for the benefit of expatriates who seek by the use of coolie labor to crush American industries and establish a monopoly that will hold the American cotton farmer forever in its grasp.

STATEMENT OF JAMES W. MANSON, REPRESENTING YOUNG & METZNER, LONG ISLAND CITY, N. Y.

Senator SMOOT. What are you asking for?

Mr. MANSON. Mr. Werner has spoken very well on the same point I wanted to make, only he speaks for the southern independent manufacturers and I have been asked to speak for the northern manufacturers.

I appeared before the Ways and Means Committee in the spring and filed a brief there, which was duly printed. After the hearings had been held and we got a copy of the bill we found, of course, two paragraphs, 1008, placing a duty of 1 cent a pound on burlap bagging, which we had asked for purely as a revenue measure, and cotton bagging was put on the free list under paragraph 1517. I wrote Mr. Fordney that it seemed a very strange thing that burlap bagging, of which a yard has never been made in this country, should have a duty placed on it of 1 cent a pound, while the bagging for covering cotton, about 90 per cent of which has always been made in this country, had no duty at all placed upon it. He suggested that I should take the matter up with Senator Penrose, and I forwarded copies of the brief and wrote him at some length on the subject. I learned a few days ago that these briefs had never appeared in any of the

hearings, and I came here to ask that they be printed. I find since I have been here that they are now docketed for the printed hearings.

We in the North are even in worse position than the Southern manufacturers because our labor is much higher, proportionately. Of course, we do not require a very high grade of labor, but we are paying from \$24 to \$30 a week of 54 hours. We have already been compelled to reduce our labor about 20 per cent. During the war we were paying \$30 to \$40.

India pays—I speak from the actual pay roll of an English mill in Calcutta—including white labor, an average of \$1.38 per week of 72 hours for the class of labor which they employ, and as near as we can estimate from their output I say that the process being largely mechanical, two to two and a half of their laborers there would be equivalent to one of ours. So that even on that basis we have to figure, taking two and a half men at \$1.38 a week, say \$3.50 a week, against \$24 to \$30.

It is very apparent, of course, that we can not exist very long under those conditions, and the situation now arises that the two principal manufacturers who formerly produced here have moved their mills to India, and they expressed themselves publicly in the Brooklyn Daily News and several other papers stating that they were going to India simply because they could get coolie labor there at a rate which will permit them to manufacture bagging less than the material costs them in their mills here.

Senator SMOOT. You are asking 1 cent a pound?

Mr. MANSON. One cent a pound; that is not enough, but it will help.

Senator SIMMONS. One cent a pound on what?

Mr. MANSON. On jute bagging, used for covering cotton bales.

Senator SIMMONS. You manufacture it?

Mr. MANSON. Yes, sir.

Senator SIMMONS. Where do you get your jute from?

Mr. MANSON. We use mostly domestic material.

Senator SIMMONS. Where is that raised?

Mr. MANSON. Of course, the original jute—

Senator SIMMONS (interposing). Where is the domestic jute raised in this country?

Mr. MANSON. It is rather a lengthy performance to explain that, and Mr. Werner should have explained it, because he does more of that class of work than we do. I am speaking to-day for myself and for five mills which make what is commonly known as sugar-bag cloth, which is now one of the most popular coverings for cotton, and which is used to the entire extent we can turn it out. It is cheaper material than the present domestic bagging for covering cotton.

Senator SIMMONS. You do not make it out of jute, then?

Mr. MANSON. It is made entirely from the heavy jute bags in which raw sugar is imported into this country.

Senator SIMMONS. You take the old bags and convert them into cotton coverings?

Mr. MANSON. Just this one particular grade of bag, and we purchase them all here, of course; and we call them "domestic material."

Senator SIMMONS. Where do those old bags come from?

Mr. MANSON. What we use we get entirely from the American sugar refiners. We purchase from the American, Warner, and Pennsylvania sugar refining companies.

Senator SIMMONS. Where did the jute out of which those bags were made, grow?

Mr. MANSON. In India. Those bags are made in India, shipped to Cuba, filled with raw sugar, and shipped from Cuba to this country.

Senator SIMMONS. So, that, in the last analysis you make this bagging out of jute grown in India, made into bags there, and brought over here and converted into cotton coverings?

Mr. MANSON. Yes, sir.

Senator SIMMONS. And you just put them together?

Mr. MANSON. Yes, sir.

Senator SIMMONS. And that comes in competition with the jute bagging from India?

Mr. MANSON. To the entire extent it can be made.

Senator SMOOT. All that jute bagging for covering cotton is not made in that way?

Mr. MANSON. No; the greater part of it is woven.

Senator SMOOT. The Senator asked you where the jute butts—he did not say “jute butts,” but that is what he meant—were raised?

Mr. MANSON. The jute butts are the lowest grade of jute. They are entirely grown and imported from India.

Senator SIMMONS. He said he only made his bagging out of bags made in India of jute.

Senator SMOOT. Kentucky raises a good deal of jute?

Mr. MANSON. They raise what is known as “Kentucky hemp,” which is a similar fiber but very much more expensive.

As far as I can say to-day, I think that the American & Ludlow, at their mills in India, can probably purchase jute butts for somewhere in the vicinity of 1 cent a pound.

Senator SIMMONS. How long have you been making this bagging?

Mr. MANSON. We have been making it thirty-odd years.

Senator SIMMONS. This jute has been coming in free practically all of that time?

Mr. MANSON. Raw jute has during practically all that time.

Senator SIMMONS. You are not the only institution that uses these bags to make coverings for cotton?

Mr. MANSON. No.

Senator SIMMONS. I have some factories in my own State of North Carolina engaged in the same business. They have been competing with jute bagging, as you have been, for 30 years?

Mr. MANSON. Yes, sir.

Senator SIMMONS. It has been coming in free, and you have suddenly discovered that you can not live here.

Mr. MANSON. It has only been during the past few years, since the tariff bill of 1913, that there has been no duty on the manufactured bagging. We are perfectly satisfied—

Senator SIMMONS (interposing). You have been competing during that period?

Mr. MANSON. Yes, sir; we have had protection during that period.

Senator SMOOT. You have had a war during that period, have you not?

Mr. MANSON. Yes, sir.

Senator SIMMONS. You have not been buying jute directly and paying the full Indian price for it?

Mr. MANSON. No.

Senator SMOOT. You have been getting second-hand jute?

Mr. MANSON. I think that, sir, during that period, the jute butts that are ordinarily used for cotton—

Senator SIMMONS (interposing). Will you tell me how much the bags you have been making your manufactured material out of costs with respect to the elements that enter into it, as compared with jute?

Mr. MANSON. As compared with the jute—cotton bagging—do I understand you?

Senator SIMMONS. Yes.

Mr. MANSON. More—I should say at the present time jute butts from which ordinary cotton bagging has been made, and probably is to some extent being made now, can be bought in India—I can not say anything about the delivered price here—at 1 cent a pound, and it should not cost more than 1½ cents a pound here; and, taking it on the basis that we are paying to-day for the bags of which we make sugar-bag cloth, costing approximately 3 cents a pound.

Senator SIMMONS. And you could buy the jute for 1 cent a pound? Why, if you can buy this jute at 1 cent a pound, do you buy bags and pay 3 cents a pound for them?

Mr. MANSON. Because while the mills which are making the new bagging can probably buy jute in India at about 1 cent a pound, cost of manufacture and freight and so on brings the cost of manufactured bagging up to the present prices to-day, in the neighborhood of 8½ cents a yard.

Senator SIMMONS. Then the point is that you do not manufacture it at all; you just fasten it together, that is all?

Mr. MANSON. Yes, sir.

Senator SIMMONS. You simply buy these bags because you can get them cheaper?

Mr. MANSON. I should not like to say that, but we can get them cheaper.

Senator SIMMONS. If they cost you as much as bags manufactured out of jute why do you buy them? You buy them second hand and because you can get them for a little money; is not that true?

Mr. MANSON. We get them as cheaply as we can, and we think at these prices we can compete with the bagging which is made in this country to-day.

Senator SIMMONS. Is not the real trouble, if you have any trouble about the competition—and I do not think you have any very serious trouble; the institutions in my State seem to prosper, the last time I heard from them—growing out of the fact that the cotton farmer does not care to have his cotton put up in this jute cloth that you patch together?

Mr. MANSON. My dear sir, one thing that I can say for our product is that there has never been a time during the past 30 years when we could not have sold twice what we put out, and it is the most popular covering with the farmers and ginners, much more popular than this new bagging.

Senator SIMMONS. Then you do not buy much of the jute?

Mr. MANSON. They buy every yard we can make.

Senator SIMMONS. They do not buy much of the other; you make enough, you and your associate manufacturers, to supply the demand, do you not?

Mr. MANSON. Well, no. The cotton crop in a normal year, say, of 10,000,000 bales, would take approximately 60,000,000 yards of bagging. I should assume that if all our independent manufacturers who make that class of bagging were to put their output together it might make 25,000,000 yards.

Senator SIMMONS. Nearly half of it?

Mr. MANSON. The manufacturers of whom you speak—I presume you refer to Carolina Bagging Co. and the Charlotte Bagging Co., both of which are in North Carolina—manufacture what is known as high-grade re woven bagging, which is also very largely made from domestic material—that is to say, that they use a certain amount of jute butts, which they bring from India, and otherwise a considerable quantity of what you would call second-hand jute goods, which they take and mix with it.

Senator SMOOT. Mr. Manson, from your answer I think the committee inferred that all you did was to buy these sugar bags from the sugar refineries and clean them and cut them up and sew them into a blanket and sew that blanket into cotton bagging.

Mr. MANSON. That is right, sir; and our expense in doing that is quite as much—

Senator SMOOT. Have you not machinery to weave the bagging?

Mr. MANSON. No; we do not do any weaving. We have, of course, considerable machinery for the handling of these bags. I think our plant in Long Island City is somewhere near worth \$1,000,000. I know the city assessed us \$750,000. So you see it takes a little capital and a little plant, and so on, to play with this.

Senator SIMMONS. You get it in manufactured form and you put it together. It is manufactured where—in Cuba?

Mr. MANSON. No; the bags themselves are made in India as a general rule. They are brought to Cuba, filled with sugar and brought to the United States and emptied at the refineries.

Senator SIMMONS. You use bags made in India, sew them together, and sell them to the farmers, and you want the cotton farmers of this country, who are very much distressed at this time, to pay you a duty to keep up your business based upon a product manufactured and produced in India, where all this cheap labor that you talk about exists?

Mr. MANSON. I would hardly look at it in that way, Senator.

Senator SIMMONS. Is not that the only way to look at it? Your manufactured material you simply tack together—you said that that manufactured material is made in India, where the jute is grown, and you think you ought to be protected against the jute manufactured material produced in India that is used by the farmer here?

Mr. MANSON. I would take the point that is greater. It is very true that the bags themselves are made in India, but when they get to this country they become the property of the American citizen.

Senator SIMMONS. Does it cost more to tack those bags together than it does to manufacture the jute into bagging?

Mr. MANSON. I think it costs very nearly the same thing.

Senator SIMMONS. So that, although you are getting your raw materials from India——

Mr. MANSON. Originally, yes.

Senator SIMMONS. Your raw material is a manufactured product; their raw material is a product of the ground, and it costs about the same to manufacture the one as it does the other?

Mr. MANSON. Yes.

Senator SIMMONS. A little bit less in your case?

Mr. MANSON. I think not. But the fact remains that we have built up a business here in that; and the primary point to consider is that we have now facing us these large mills going to Calcutta. What they buy is Indian material, jute butts; what labor they hire is Indian labor, and the money stays there. Their taxation and everything stays there, and they will be under no such labor regulations for factory operation and no such taxation as we are under here. They can make cheap material there and ship it into the United States. We are here; we have built up plants——

Senator SIMMONS (interposing). The question in my mind is, Why should you be protected against the American manufacturer of bags?

Mr. MANSON. We do not want to be protected against the American manufacturer of bags; we want to be protected against the American manufacturer who has gone to India and established plants there.

Senator SIMMONS. But you want protection put upon this raw material that you use?

Mr. MANSON. No, sir.

Senator SIMMONS. You want protection put upon the jute that the manufacturers use?

Mr. MANSON. No, sir.

Senator SIMMONS. What do you want?

Mr. MANSON. We want a protection on the manufactured bagging.

Senator SIMMONS. Brought from abroad?

Mr. MANSON. Brought from abroad.

Senator SIMMONS. And you buy your bagging from abroad?

Mr. MANSON. No, sir; that is what I was about to point out, that we buy it——

Senator SIMMONS (interposing). You said a little while ago you bought these bags made in India?

Mr. MANSON. Yes; but the fact that we buy bags made in India does not make it buying foreign material.

Senator McCUMBER. What would become of those bags if you did not buy them and use them?

Mr. MANSON. Probably they would be thrown into the paper mill.

Senator McCUMBER. And they are your raw material?

Mr. MANSON. They are our raw material.

Senator McCUMBER. You buy them here?

Mr. MANSON. We buy them here.

Senator McCUMBER. And they are owned here?

Mr. MANSON. Yes.

Senator McCUMBER. And you manufacture them here by American labor?

Mr. MANSON. Yes, sir. Every dollar that is invested in our material stays in the United States. We pay Americans for the bags; the money stays here. We hire American labor to make the bags,

and that money stays here. We sell the bags in America, and that money stays here; and in our two factories there is not one dollar which goes out of the country. We pay our taxes here, and we pay plenty, I assure you, and we think we are entitled to some consideration.

Senator SIMMONS. You do not buy them directly yourself in India, but you buy them from a man who did buy them in India?

Mr. MANSON. No; we do not. I had somewhat the same condition—

Senator McCUMBER (interposing). The witness said they were manufactured in India, sent to Cuba, and there filled with sugar to be imported from Cuba to American refiners, and then he buys them of the American sugar refiners.

Senator SIMMONS. After being used once?

Mr. MANSON. Yes, sir.

Senator SIMMONS. They originally came from the same place as did jute bagging?

Mr. MANSON. Oh, yes. But when the new manufacturer buys raw material his money goes to India. But it is our raw material, and we are buying that from American refiners, and it is a domestic product, and the money stays here.

Senator McCUMBER. Is that all?

Mr. MANSON. I ask permission to emphasize the fact that, even under the Underwood bill we have competed with and undersold the mills which have now moved to India. Our competition has been greatly to the benefit of the cotton growers; but we could only compete as long as these mills paid American wages. We can not compete against coolie wages. If we are not accorded protection, the end of the bagging industry in the United States is in sight, and there will be created an absolute monopoly of this business in the hands of foreign mills.

I thank you, gentlemen, and will ask leave to file a short brief for your consideration.

BRIEF OF JAMES W. MANSON, REPRESENTING YOUNG & METZNER, LONG ISLAND CITY, N. Y.

At the suggestion of Hon. J. W. Fordney, to whose attention we called a peculiar result in the drawing of the new tariff bill, and who advised that it was too late to amend in the House, we submit the matter of the proposed duties on jute bagging for your consideration.

Our factories are located at Long Island City, N. Y., and Camden, N. J., and our products are largely handled from Philadelphia, Pa.

After reading the hearings on Schedule J, and then noting the paragraphs applying thereto in the proposed bill, it seems to us that the subject has been misunderstood.

Perhaps an explanation of the goods covered is in order, viz:

Burlap is a cloth made of jute and consists of yarns of small size. It is principally used for making burlap bags. No burlap is made in the United States, but practically all the bags used are made in the United States from imported burlap. At the present time burlap is on the free list, and the proposed bill places on it a duty of 1 cent per pound.

Jute bagging for covering cotton is a coarse cloth made of jute and is only used for covering bales of cotton. About 90 per cent of this bagging has been made in the United States. Prior to the present tariff bill this class of bagging was always subject to a duty. The present bill has it on the free list, and the proposed bill leaves it on the free list. As the result of the present tariff bill putting this bagging on the free list, and the proposition to again place it on the free list in the new bill, and also somewhat due to the advances in wages here adding to their burden under the lack of a protective duty, the two principal makers of jute bagging in the United States, influenced by the

low rates of wages in India and the admittance of the bagging duty free, have removed in the past year and are contemplating removing this year all their mills to India.

Without a protective duty that is good business for them. They have to pay anywhere from \$25 to \$30 per week of 54 hours for labor here, while in India they can obtain unlimited amount of labor for about \$1.40 per week. In India a week's work is 72 hours; here, 54 hours. This is an almost unbelievable wage difference, but we have seen the pay roll of a mill near Calcutta, employing 4,900 people, and it averaged \$1.38 a week.

The point we wish to make is as follows: As the proposed bill, H. R. 7456, now reads, paragraph 1008, page 125, imposes a duty of 1 cent per pound on all articles woven of jute; paragraph 1517, page 187, places jute bagging for covering cotton on the free list,

Therefore we have the peculiar situation of a duty being placed on goods which are not made in the United States and no duty on goods which have always been made in the United States.

We believe the duty in paragraph 1008 is right. Such goods should be dutiable. They compete with cotton. And we believe that paragraph 1517 should be eliminated from the bill, leaving the duty of 1 cent per pound to apply to all goods woven from jute, etc., irrespective of the use to which they may be put.

As nearly as we can figure, about 80,000,000 yards of bagging are used for the cotton crop. Half of this is made by the two makers who propose to move or have moved their mills to India, and the balance by a large number of small mills who produce one to five million yards each.

Let half the yardage come in from India, duty free, made by \$1.40 per week labor, and the smaller makers in the United States will soon succumb. Then India can set its own prices, and we can not get at them even with taxes.

We are not finding fault with these makers. They have been forced to removal by the same thing we protest now, i. e., free trade in this particular variety of bagging. They can move, but the smaller makers can not do so, they can only cease making.

It is hard to suit everybody in drawing a tariff bill, but this is a very clear question. If a duty should be placed on burlap and bagging made of jute, then it should apply to everything of this character, and especially it should apply to bagging that has been almost exclusively made in the United States.

The remedy is simple: Strike paragraph 1517 out of the new bill, and apply the duty of 1 cent per pound to all articles woven of jute.

Our southern friends may think this to their detriment, but second thought will show them that jute competes with their own cotton, and that it is better for them to have a dozen makers in the United States actively competing at home with goods made here than to be at the mercy of two makers abroad, with cheap labor and no competition, who can set any price they like on their foreign goods.

SUPPLEMENTAL BRIEFS.

The duty of 1 cent per pound imposed in paragraph 1008 on fabrics composed wholly of jute, plain woven, twilled, and all other, is approved. This paragraph, if not partly abrogated by other items, would cover all woven jute goods and be satisfactory to all, both as a revenue measure and as a protection to domestic industries.

Paragraph 1517 is objected to and its elimination from the proposed tariff bill is asked because, from the point of protection to domestic industries, it destroys entirely all the benefits intended to be given by paragraph 1008.

In support of our respectful request that paragraph 1517 be stricken from the proposed tariff bill and that the duty set forth in paragraph 1008 be retained and made to apply to all woven jute fabrics, irrespective of use, we state the following facts:

1. Little, if any, burlap—the ordinary commercial jute woven fabric—has been, or is, made in the United States.
2. Up to the present time about 90 per cent of the heavy coarse jute bagging that is used for covering cotton bales has been made in the United States.
3. The peculiar result of the combination of paragraphs 1008 and 1517 is that the bill puts a duty on all the jute fabrics that normally are entirely made in India and puts on the free list all the class of jute fabrics that have normally been made in the United States. The inevitable result will be the transfer to India of the industry of making coarse jute bagging, because it can be made in India with cheap coolie labor and brought into the United States free of duty.
4. Cotton bagging, so classed, or, properly speaking, coarse woven jute bagging, was placed on the free list in the last tariff bill. Prior to that it had always carried a reasonable rate of duty, sufficient to offset the cheaper Indian labor, and under these

duties many mills had been established in the United States, and 90 per cent of this class of bagging has been made in the United States.

5. In addition to the two large combinations, with large mills at Ludlow, Mass., Brooklyn, N. Y., Charleston, S. C., St. Louis, Mo., Galveston, Tex., etc., under the protective tariff smaller mills had been established at Yonkers, N. Y., Long Island City, N. Y. (2 mills), Boston, Mass., Camden, N. J., Savannah, Ga., New Orleans, La. (2 mills), Henderson, N. C., Augusta, Ga., Jonesboro, Ga., Norfolk, Va., and elsewhere, all with a growing production of bagging for covering cotton.

6. As the result of the removal of the protective duty on this class of bagging and the general increase in wages in the United States, the two principal makers of jute bagging for covering cotton have been arranging to remove their mills to Calcutta, India. In fact, one, if not both, have now mills partly in operation in India.

7. Wages in India: The average rate of wages, taken from an actual pay roll of one of the largest Indian mills, employing 4,300 people, is the almost unbelievably small sum of \$1.38 per week of 72 to 81 hours.

Wages in the United States: In our plants, in the bagging department, similar labor averaged \$24.75 per week of 54 hours in 1921, and at the time covered by the Indian pay roll was averaging \$30.25 per week. If further competition arises from abroad, we will either have to reduce wages tremendously or stop work altogether.

8. For many years past bagging prices have been largely regulated by the competitive ability and capacity of the independent and smaller makers of bagging. These smaller mills can not afford to remove their small mills to India, therefore they anticipate that as soon as the large mills have established themselves in India they will commence to eliminate the small mills in the United States. This might bring lower prices to users for a year or two, but would end in the absolute stoppage of the making of coarse jute bagging in the United States, and then the users would be at the mercy of the makers in India.

9. The removal of the large mills to India removes them from all control of the laws of the United States as to child employment, compensation of injured, sanitary conditions, hours of labor, antitrust, price combination, etc., and from all United States taxation. Competition by the mills now remaining in the United States would be practically impossible, unless the United States protects them and secures a revenue to the Government by an adequate duty.

It has been said that users of such bagging would suffer under a duty on bagging. Records will show that bagging has been dearer for the past few years than it was under a duty. They will also show that whenever in the competitive wars of the past the smaller mills have been temporarily closed bagging prices have been much higher. It seems better to keep the manufacture of bagging for covering cotton in the United States, where it is under control and subject to competition, than to force it to India under a free-of-duty tariff, where it will soon be a foreign master without any regulation of competition. With the small protective duty asked, the smaller domestic mills will be sufficiently strong competitors to keep prices within reasonable bounds.

We therefore hope that paragraph 1517 will be stricken out of the bill and that the new tariff when completed will impose the duty of 1 cent per pound on all woven fabrics composed of jute, etc., irrespective of the use to which such jute fabrics be put. This is both a reasonable revenue rate for bagging made in India and a reasonable protective duty rate for bagging that is made in the United States.

BRIEF FOR THE NORTHERN MILLS.

Paragraph 1008 imposes a duty of 1 cent per pound on woven fabrics composed of jute. The trade generally approves of this rate of duty, which is equitable, providing (1) a revenue from jute fabrics made in India; (2) a protection, approximating the labor cost difference, to jute fabrics made in the United States.

Paragraph 1517 nullifies the principal benefit of paragraph 1008, by placing on the free list the only jute fabric largely made in the United States (jute bagging for covering cotton being almost wholly made here).

The independent manufacturers of jute bagging for covering cotton, with 16 mills in the United States, a growing industry, now making about 40 per cent of the bagging used for covering cotton, respectfully ask that paragraph 1517 be stricken from the bill, for the following reasons:

1. The importation of "jute bagging for covering cotton" free of duty will destroy completely the mills remaining in the United States because they can not pay American wages and compete with Indian mills using coolie labor. The two principal makers in the United States of bagging for covering cotton, making about 60 per cent of the bagging, are now moving their mills to India, where they will use coolie labor

at \$1.38 per week. The independent makers could compete and maintain prices at reasonable and just figures while these large mills were here and paid American wages, but they can not compete with coolie wages.

2. The resulting destruction of the independent mills in the United States will leave an absolute monopoly of the manufacture and sale of jute bagging for covering cotton in the hands of these two large companies whose mills are being moved to India. This will leave the cotton grower at the mercy of a foreign monopoly controlling the making and prices of all jute bagging used for the cotton crop. Naturally, the representatives of these two companies, heretofore vigorous claimants for a duty on bagging (see previous tariff hearings, Schedule J, etc.), now favor placing such bagging on the free list, as this would soon eliminate the industry here and place it entirely in their hands abroad.

3. It is inequitable, in either a protective or a revenue tariff bill, to impose a duty on bagging and jute fabrics wholly made in India while placing jute fabrics, heretofore wholly made in the United States, on the free list. It is destructive, immediately, to our manufacturing industry and detrimental, eventually, to the cotton grower.

Respectful request is made that the complete briefs submitted be given consideration for full data on the subject.

LETTER TO THE UNITED STATES TARIFF COMMISSION.

LONG ISLAND CITY, N. Y.,
September 27, 1921.

UNITED STATES TARIFF COMMISSION,
Washington, D. C.

DEAR SIR: We have your questionnaire of 21st instant. In reply:

Jute bags.—On this subject we think the trade has very fully covered the grounds at the hearings before the Ways and Means Committee of the House and in briefs submitted.

There is one point which we would add to the brief submitted by us, viz: In our brief we stated that wages in India did not exceed \$5 per week. Since then we have seen the pay roll of a mill near Calcutta employing about 4,300 people, and the average pay roll was the unbelievably low figure of \$1.38 per week of 72 hours.

With such wages, \$1.38 per week of 72 hours in India, as against the present wage average of \$24.25 per week of 54 hours at our plants here for the same class of labor, we think the proposed differential of 17 per cent in the duty between the duty on burlap and the duty on burlap bags is none too much and should be 20 per cent.

Burlap and jute cloth.—It is proposed to levy a revenue duty of 1 cent per pound on these. The trade does not object, knowing it is a good source of needed revenue, so long as the proper differential is made on manufactured bags, the bags being almost entirely made in the United States.

Jute bagging for covering cotton.—This is the subject that demands thought and attention. We were somewhat surprised at the Ways and Means hearings to find that the two principal makers of this bagging, though listed to appear, did not attend the hearings.

Both these companies appeared and applied for larger rates of duty on their other products under Schedule J—such as twines, rope, etc.—and they have been given about what they asked on these articles.

But our surprise is now ended. There was a reason for them not appearing in favor of a duty on bagging for covering cotton, and this reason is most fully explained in the attached newspaper cuttings from the daily and trade papers (not printed).

Deprived of protection in the last tariff bill, and in the belief that certain opposition might prevent such protection in the new bill, they have already, or now are, removing their mills to India as a measure of self-protection. They will thereby be able:

First. To get cheap labor and the class of labor that does not strike.

Second. They will be in position, with cheap labor, to practically eliminate the many small bagging mills remaining in the United States which can not move and can not compete with Indian labor unless they have a reasonable protective duty.

Third. Having eliminated the small mills, they will control the entire production of jute bagging for covering cotton and will be able to set any price on it they like, and in this connection it is interesting to note the statement in these clippings that "they expect to get back the cost—millions of dollars—of moving their plants," which they can only do by taking it out of the cotton growers.

Fourth. They will be out of the zone of all our domestic taxation and regulation.

It is curious to note that our southern friends seemed to think they had gained something by the elimination of the protection in the tariff on jute bagging. Prac-

tically, they have paid more than ever before for this bagging, and if there be eliminated the competition of the smaller makers in the United States, which will be easy with such cheap labor, they will be entirely at the mercy of two foreign producers.

To the best of our knowledge, there will be left in the United States, after these two large makers move to India, about 15 small mills making 30,000,000 to 40,000,000 yards of bagging per annum.

To insure the continuance of these domestic mills in face of the fact that labor costs here so many times that of India, a duty of 1 cent per pound on jute bagging for covering cotton is a necessity.

When the House committee drafted their bill, if they had eliminated paragraph 1517, putting bagging on the free list, and left this bagging subject to the same duty as provided for burlap and other woven jute fabrics, it would have been a most satisfactory solution and fair to all concerned.

But the fact remains that a duty was placed on burlaps and other jute goods which were never made in the United States and jute bagging for covering cotton, practically all of which was made in the United States, was put on the free list. We can only hope that there was an entire misunderstanding of the situation and that it will be remedied when the new bill is drawn.

Yours, very truly,

YOUNG & METZNER.

BIBLES.

[Paragraph 1520.]

STATEMENT OF C. F. KINT, REPRESENTING JOHN C. WINSTON CO., PHILADELPHIA, PA.

Mr. KINT. I represent the John C. Winston Co., of which I am president, and a number of other companies.

We publish and manufacture nearly 500 different styles of Bibles. We are also publishers of books and of general miscellaneous publications.

So far as Bibles are concerned, with a few exceptions, they are made in the cities of New York and Philadelphia. In Philadelphia they are manufactured by the publishers in each instance. Each of the publishers employs his own binders and printers and manufactures the product throughout.

The Philadelphia concerns are all controlled by American capital.

The New York concerns either are controlled by English capital or they have English affiliations. For instance, the Oxford University Press, as is generally known, is controlled by English capital and, with few exceptions, they have their binding done by other binders and do not have plants of their own.

Under the Payne-Aldrich bill there was a duty of 25 per cent levied on Bibles, which resulted in some of the English houses bringing over plates and manufacturing some of the better grades of Bibles themselves. I have found that on some of these goods like the smaller goods I could afford to buy them (and did buy them) over there, pay Uncle Sam 25 per cent ad valorem, beside the freight, and still bring them in here at a price less than I could bind them for in my own plant.

The reasons for this are very apparent. I have here a quotation on Dutch bible paper, which is used by the English manufacturers. This quotation is made by a New York house at a price that is less than I could buy similar paper for made in this country.

Senator SMOOR. Is it India paper?

Mr. KINT. No; I am referring to the general bible paper, which is one of the cheaper grades of paper. I am speaking of the large use of bible paper. Of course, India paper is used in the higher grades of Bibles and the sale is comparatively small. I am speaking now of Bibles used for general consumption. I know this is good paper. I can get that paper laid down in Philadelphia at a price as low as, if not lower than, I can buy similar paper for in this country.

Assuming that the jobber himself makes a profit, that there are undoubtedly freight and transportation to be paid, and also other expenses that are incident to the importation of all goods, I should say that there is at least a 30 per cent difference in the price.

I have here a letter from a printer and binder in London. I wanted to get at the facts as to just what wages were, so instead of taking trade publications I write to a publishing house with which I have dealings and asked them to get this information for me. I did not know at the time that these people had brothers who were in the business, but they turned my letter over to their brothers. This letter shows that at the present time they are paying to printers and binders wages amounting to \$21.85 per week, figuring that the pound sterling is worth \$4.85, and it is not. To-day we are paying printers anywhere from \$44 to \$49.50 per week while we are paying binders from \$34 to \$43.50 per week, which means that we are practically paying about double the wages that they pay over there. Considering that the cost of the paper is so low, it shows that we have no opportunity to do business unless we can have some protection. That is true so far as those two items are concerned, the most important items in the manufacture of the Bible.

Senator SMOOT. How have you been living during the last 12 years?

Mr. KINT. I did not catch that.

Senator SMOOT. How have you been competing with the foreign countries?

Mr. KINT. They make the prices about what we make them ourselves. Of course, the less tariff they have the more profit they make. They do not have to get down below us. It is not necessary for them to go lower than we do.

I pointed out to you, I think, that we have no English affiliations and are not controlled by English capital.

Senator McCUMBER. According to your theory, you need no protection whatever, because they would continue to raise their prices to meet yours.

Mr. KINT. I am not asking for protection for myself, but it would mean that the employees—

Senator McCUMBER (interposing). You want protection, I suppose, in order to pay your employees \$200 a month?

Mr. KINT. In order to pay our employees a wage which is considered proper by all means of accounting for such things in this country. We do not pay any more than anyone else does. The figures that I have given you are the minimum figures; they do not represent the maximum.

I was just about to say that the paper, presswork, and the binding are what make the big cost of the book—practically 90 per cent of the cost of the book.

Senator DILLINGHAM. What has been the situation with reference to wages since the beginning of the war?

Mr. KINT. Wages have doubled. To-day they are not double. Wages at the beginning of the war ran from \$20 to \$23 per week. The highest they went was \$42 to \$46 a week in the printing trade in Philadelphia. In New York they were somewhat higher.

Senator DILLINGHAM. What are they now?

Mr. KINT. To-day they are \$38 for bookbinders and \$44 for the printers. There has been a reduction in the wages of printers and bookbinders. Those wages are on the 48-hour basis, the same as figured here.

The beneficent effect of some protection—at least 25 per cent, and it should be more—would be that it would enable us to continue the industry we have in Philadelphia. Philadelphia is the pioneer in the manufacture of Bibles. As I explained before, those are the only plants that are controlled by the people who publish the books themselves.

Senator SMOOR. If you get 25 per cent it will save you, perhaps, and will allow the other fellow across the water to make 25 per cent more than he is making now.

Mr. KINT. I beg your pardon. Will you repeat that?

Senator SMOOR. I was saying that if we put a 25 per cent duty on Bibles, that will perhaps save you and enable you to pay the wages you are paying now. If it increases the price at all, the foreign importer will increase his price accordingly.

Mr. KINT. It figures two ways. He can always sell as low as we can. If my wages go down his wages go down. So far as wages are concerned, we are not paying more comparatively than they were paying comparatively before the war. It is not that we are paying extra high wages. Their wages were comparatively less in 1913 and 1914.

The beneficent effect would be that it would enable us to continue this industry that we have built up, and it possibly would have the effect of bringing more plates from the other side and compelling these people in business in New York to manufacture their product here. In other words, it brings the manufacturer here.

There is one point that I would like to make in addition to what I have already said. Bibles have never sold at a very great profit. The margin of profit has been very small. We have intense competition in our own country. The American Bible Society, for instance, gives away thousands of Bibles. That institution is continued by endowment. They sell goods for much less than we can sell them now. We make a nicer looking book and that is the only reason we get any sales at all.

Senator WATSON. Who makes those books that the American Bible Society gives away?

Mr. KINT. They make them themselves. They manufacture them here.

In order to compare the Bible and another book, I want to show you this book that I bought on my way here for \$2. It occurred

to me that it might be a good illustration. I went to Kann's and stopped and bought one of my own books from them. There is a book containing 400 pages. Here is a book of 1,000 pages. The paper here is better. It is thinner. This is a better binding. That book sells at \$2. It wholesales at \$1.20. There [indicating] is a book we sell at the present time for \$1.25. The bookbinder will tell you that all the work is done by hand, by the most expert workmen, while this book [indicating] is made by machine.

Senator McCUMBER. That is due to the greater demand for the other book. [Laughter.]

Mr. KINT. Well, that is my story. I thank you for your consideration. If there are any questions that you want to ask, I shall be glad to answer them.

Senator McCUMBER. We thank you.

BISMUTH.

[Paragraph 1523.]

STATEMENT OF WILLIAM LOEB, JR., VICE PRESIDENT AMERICAN SMELTING & REFINING CO., NEW YORK CITY.

Mr. LOEB. Mr. Chairman and gentlemen of the committee, I appear before you this afternoon as spokesman for the producers of bismuth metal. It is free under paragraph 1523 of the House bill.

The production of this metal in the United States in the year 1920 was 269,834 pounds. The imports were 72,771 pounds.

Direct comparison of present consumption in the United States is shown by figures which I am going to submit, with the exception that during the war smaller importations of bismuth were directly due to the consumption abroad for war purposes, and there seems to be no reason why importations should not again increase to pre-war figures.

I have set forth in a table the production in the United States and the imports into the United States from 1912 to 1920, inclusive.

Senator SMOOR. Those figures will be put in the record?

Mr. LOEB. Yes; I can put them in the record.

The United States producers are the American Smelting & Refining Co. and the United States Smelting, Refining & Mining Co. Those two concerns produce all the bismuth produced in this country and they can produce all that the United States consumes.

As bismuth is produced in the United States entirely as a by-product, the cost of production depends upon the percentage of each operation which is charged against bismuth as compared with the other products recovered from the smelting operations. The cost of production can, therefore, only be stated approximately, as each company's figures are influenced by their accounting methods.

The highest cost of production for the year 1920 was \$2.14 per pound. It is believed that this cost of production will be materially lowered during the latter part of 1921 and thereafter, and it is hoped to get the cost of production down to approximately \$1 per pound.

The cost of production fixed by accounting in such an operation is always below the entire production cost from raw ore to finished

metal. This cost is in reality the necessary cost of the last operation of recovery. This is shown by the fact that where the price of the metal falls below the fixed production cost the smelters cease recovery of the metal, preferring to eliminate this item of cost even at the expense of loss of the metal.

The cost of foreign production is unknown, but must be low due to the working of high-grade bismuth ores containing from 25 per cent to 70 per cent bismuth. These high-grade ores are found in Bolivia, China, and Australia, and are smelted in England.

When these figures were made up the market price was from \$1.35 to \$1.40 per pound. With the present high rate of exchange the price is about \$1.55 to \$1.60 per pound.

In view of the fact that bismuth is produced as a by-product only and is contained in substantial quantities in various lead ores, it is believed that the United States should conserve its raw-material assets by encouraging its smelters to recover this valuable by-product. There is every reason to believe that the domestic production can be increased to take care of the domestic consumption.

Not to provide protection which will assure the saving of this metal is to cause a triple economic loss: First, the loss to the industry; second, the loss to the Government in revenue; and, third, the irreplaceable loss of the metal itself.

We ask for a specific duty of 25 cents per pound on refined bismuth metal in order to protect the American producers against the foreign low-cost producers. Bismuth salts and preparations are dutiable at 25 per cent ad valorem against former protection of 10 per cent ad valorem. We suggest that the duty on bismuth salts and other preparations be changed to 20 cents per pound, plus 25 per cent ad valorem, from the fact that 0.8 of a pound of bismuth is used in manufacturing 1 pound of the usual bismuth salt; hence, 0.8 of 25 cents per pound would be 20 cents per pound additional protection for 1 pound of bismuth salts.

(Mr. Loeb submitted the following data:)

United States production.

	Pounds.		Pounds.
1912.....	122,080	1918.....	266,499
1913.....	213,554	1919.....	342,749
1914.....	251,481	1920.....	269,834
1915.....	316,716		
1916.....	245,667	Total.....	2,346,767
1917.....	318,187		

Imports.

	Pounds.		Pounds.
1909.....	176,729	1916.....	64,000
1910.....	200,000	1917.....	88,000
1911.....	178,000	1918.....	85,000
1912.....	166,000	1919.....	76,000
1913.....	151,000	1920.....	72,771
1914.....	183,000		
1915.....	34,000	Total.....	1,424,500

EDUCATIONAL BOOKS.

[Paragraphs 1529-1532.]

STATEMENT OF M. L. RANEY, OF JOHNS HOPKINS UNIVERSITY,
BALTIMORE, MD.

Senator McCUMBER. Please state your name, residence, and place of business.

Mr. RANEY. My name is M. L. Raney. I am librarian of Johns Hopkins University, Baltimore, Md.

(Mr. Raney presented the following statement:)

EDUCATION AND THE TARIFF MEASURE.

In its book sections (pars. 1529-1532) the pending tariff bill (H. R. 7456) makes five removals from the existing free list and changes the rate to 20 per cent from 15 per cent (par. 1310), as shown in detail below.

Organized education, art, science, and scholarship condemn all six of these changes. Upon many other measures they disagree, as, for example, the taxing of scientific apparatus imported, or the proposals of the Sterling-Towner bill. But upon the Nation's proper treatment of foreign art and printed matter they are absolutely unanimous.

Specifically, the following bodies indorse without dissenting vote the position here outlined in the name of the American Council on Education and the American Library Association: American Association for the Advancement of Science, American Association of University Professors, American Chemical Society, American Economic Association, American Historical Association, American Philological Association, American Physical Society, American Political Science Association, Association of American Colleges, Association of Urban Universities, College Art Association of America, Conference of Eastern College Librarians, Conference of Western University and College Librarians, Geological Society of America, Modern Language Association of America, National Education Association.

Of the two proponents of this brief, the American Library Association is well enough identified by a reference to its service as one of the seven welfare organizations of the war period. It has 5,000 members.

The American Council on Education, formed in 1918, is a confederation of associations and institutions for discussion and joint action on major matters of educational policy. In its membership are 13 national organizations (including 10 not named above), 131 colleges and universities, besides 12 other associated bodies.

So much for the petitioners. Now, their petition.

ANALYSIS OF THE BILL.

The five items removed from the free to the dutiable list are these:

1. English books more than 20 years old. (Free since 1870.)
2. Foreign-language books. (Those more than 20 years old free since 1870; others free since 1890.)
3. Excess of two copies imported by an educational institution. (Free since 1816. No limit, except as to number in a single invoice, fixed at two since the act of 1872.)
4. Textbooks used in schools and other educational institutions. (Free since 1913.)
5. An immigrant's books, if valued at more than \$250, together with his necessary household effects. (All free since 1790.)

As to the ad valorem rate, our history has been as follows: 1789-1860, 5 per cent to 10 per cent (except 1841-1846, 20 per cent); 1861, 15 per cent; 1862, 20 per cent; 1864-1913, 25 per cent; 1913, 15 per cent.

THE BACKGROUND, AMERICAN AND INTERNATIONAL.

In exposition, note two important facts at the outset:

1. In the book sections our tariff acts have, since 1879, shown steady progress in liberalism. Practically no tariff maker in half a century has failed to do himself honor in this respect. This is especially true from 1890 on, regardless of party. McKinley freed the rest of foreign-language books and those for the blind; W. L. Wilson added hydrographic charts, learned society publications to subscribers, Gov-

ernment documents, issues in gratis private circulation, and even works "devoted to original scientific research;" Dingley included "exchanges by scientific and literary associations or academies;" while Underwood expanded the free blind schedule, added textbooks, and lowered the rate.

The present measure reverses this praiseworthy tendency, taking six steps backward and none ahead.

2. With all our progress, we are behind other nations in recognizing the wisdom of allowing knowledge to spread freely. The Fordney measure would put us humiliatingly far behind.

Thus, the United Kingdom, France, and Germany admit all (decent) publications without duty.

Italy admits foreign-language books free and lays a duty of 20 lire per 100 kilograms (less than 2 cents a pound, when exchange is normal) on bound Italian books, or if unbound the duty on the paper only.

Switzerland, with franc near par, bordered by three kindred nations possessed of badly depreciated currency, nevertheless fixes in the face of competition as low a duty as 5 francs the 100 kilograms, or less than one-half cent a pound, and that only on large shipments.

Canada, which has just reversed her former refusal of our proffered reciprocity, already lays a duty of but 10 per cent (except fiction, 25 per cent), while admitting free, among others, the following, which the Fordney bill would make dutiable for us: 1. Books on the application of science to industry; 2, books for the instruction of the deaf and dumb; 3, textbooks used in any university, college, or school; 4, books printed and manufactured more than 12 years.

Thus the Old World is virtually of one opinion on this business, and the New had taken all but the last step to reach the same conclusion when the Fordney bill brought a halt.

WHY SUCH UNANIMITY?

Just because civilized nations realize that the one which impedes the spread of knowledge is but bleeding itself, for knowledge is power and no people has a monopoly of it.

Why do we exempt school and church property from taxation? Why do we freely admit works of art, Bibles, magazines, newspapers, hydrographic charts, learned society publications, books for the blind, for the Government, and for educational establishments? Because we have come to think that a gain in information and inspiration is greater than one in money.

But the authors of the present bill do not follow this thought to its conclusion. Shall we let the wealthy connoisseur have his object of art, but deny those equally appreciative but less fortunate the only approach to such possession possible to them, viz, the picture and description of it found in a book? Regardless of station we had better let brains browse where they will, with assurance that if they find satisfaction the public will be the beneficiary. Wireless telegraphy was not the sudden flowering of Marconi's imagination. The idea was of slow growth, with one of its progenitors a stiff bit of mathematical analysis published as long ago as 1853 by William Thomson in the *Philosophical Magazine*. We had better not limit the food of thinkers.

If a public library can render a larger service by importing more than two copies of a useful book, let us not balk its worthy design. It will be only a live one that will harbor such a desire. We can well save our kicks for the dead ones.

We must remember, too, that our population is composite. We are the gainers if they bring with them a love of their native literature. It is easier to transmute such appreciation into an understanding of Americanism than to create this out of whole cloth. To bar against the enjoyment of worthy books, while others have free access to journals not so worthy, is a foolish policy and but awakens resentment.

Finally, who could have expected any American statesman to assert the advisability of discouraging the immigration of a family found to own a library worth more than \$250? Yet that is what paragraph 1332 by implication does. Oddly enough the first exemption from the book duty ever granted by Congress was to the immigrant. This occurred in our second tariff act, August 10, 1790, and thus actually antedated by more than a quarter of a century the same exemption accorded learned societies and educational institutions. We shall surely not wish to advertise to the world our repudiation of this course.

THE RATE.

Historically, as seen above, the proposed rate rests on two legs—the acts of 1842 and 1864. The former was conceived in haste and passion, lasted but four years, and constitutes in its book sections the most bizarre of all our tariff enactments. Books

were thrown into 13 categories, and for the duty some were counted, some weighed, others valued. The ad valorem rate was the 20 per cent of the present measure.

The act of 1864 was, it is needless to say, passed in time of unexampled emergency and dire financial need. Yet the phenomenally high war rate of 25 per cent stuck to books till 1913. It is not too much to say that serious readers everywhere, rejoicing that after a half century the account with the Civil War had been closed, earnestly hoped that we should shortly complete the reduction to our own antebellum and the world's level.

In fact, as might be surmised, the present petitioners feel that any rate on printed matter is a mistake. It is only expediency, therefore, and not conviction that restrains them from urging the removal of the existing duty on English books under 20 years of age. The American Chemical Society, for example, stresses the importance of a closer accord with English chemists in order to break down the old tradition of German superexcellence in this field. The time must inevitably come when we shall yield to that sensible plea. The least that we can do now is not to lengthen the handicap, though, by every consideration of the national welfare, we ought to shorten it.

EFFECT ON LIBRARIES.

Despite the continuance of their duty-free privilege, libraries are adversely affected by the bill in the following particulars:

1. Since virtually all foreign books are made dutiable instead of recent English books only, as heretofore, libraries will have to make affidavit on all shipments from abroad. For important libraries this means a great increase in clerical work added to the already heavy burden of library administration.

2. Restriction to two copies as a maximum (without even the allegation of any past abuse) means Federal taxation of municipal, State, and educational foundations, when a greater number are to be bought.

3. American dealers will be discouraged from buying up European stocks from which we might select, at a time of special opportunity. In fact, it is difficult to see how the importing bookseller, already beset with well-nigh insuperable difficulties of competition on account of the depreciation of foreign money, could survive such a measure, coupled with a rejection of the invoice in favor of an arbitrary valuation as the basis of the duty. He could not calculate his course. He can now not live on his discount. This would be highly unfortunate just now, for there exists, in European demoralization, an unexampled opportunity of securing (to their benefit, as to ours) the fundamental literature of history, art, science, and scholarship, as important for America, the child of Europe, as for Europe herself. Such a chance, let us hope, devastating war may never offer again. We must not let this one pass.

4. The duty (especially one on an American estimate) would be the reason or excuse for a sharp advance in the prices on all foreign publications. When the Government sets the example, others with less reason follow. The ultimate consumer supports the pyramid. This has happened in the case of English books. While there are many American houses that sell at fair rates the English stocks under their control, others of great importance are unfortunately to be found which list such books at from 60 per cent to 165 per cent increase over London prices. The same thing, if this bill passes, may be feared for all foreign books, with trade agreements fixing the terms.

THE DEFENDERS OF THE BILL.

There are four classes seeking to change the existing law in the sections here discussed. These are the typographers, the bookbinders, the lithographers, and the toy-book makers. Educators, librarians, scientists have no real quarrel with any one of these four. Their goal is worthy, but the way chosen by the first three to reach it is devious and indefensible. The manufacturers of children's playbooks are right in asking that their product be classified as toys instead of books.

The printers and their allies, in asking a 50 per cent duty, have not the remotest interest in increasing the price of foreign books to American buyers. What they seek by this provision is to prevent American publishers from sending their copy abroad for typesetting, or lithography, or binding. They ought to succeed, but there is no possible excuse for knocking down the whole line of innocent importers in order to get at their man on the end. Let them strike direct. It should be easy. A moderate duty on imported books of American origin should turn the trick.

Upon this subject, however, their fears are probably overdrawn. I had occasion this year to examine critically a proposal to have one of the Johns Hopkins University journals transferred to a German publisher. This was not done, because, entirely

aside from reasons of sentiment, it was seen to be uneconomical. To aid decision, we compared two contracts of a German publisher for the same piece of work in 1914 and 1921, and both with the corresponding charges of our Baltimore printers. The result was that in 1914 a signature of 16 octavo pages would have cost us 50 per cent more if done in Leipzig than at home; in 1921 the German's offer was in marks 21.4 times as high as in 1914, and with the mark at only .0066 cent he tied our home printer's offer. This, of course, takes into account the duty on both sides, and especially the German Government's requirement that the foreign book buyer be charged more than the domestic—100 per cent more in the case of the United States. So that a scoffer might be tempted to say in this instance that if the American competitor claims he is unable to meet his foe, he needs not a larger tariff allowance but an emetic.

AMENDMENTS.

To effect the desired ends, the following changes in the text of the bill are accordingly requested:

1. In paragraph 1310, lines 9 and 15, change "20 per centum ad valorem" to "15 per centum ad valorem."
2. To paragraph 1529 prefix the following: "Books, maps, music, engravings, photographs, etchings, lithographic prints, bound or unbound, and charts, which shall have been printed more than twenty years at the date of importation, and all."
3. To paragraph 1530 prefix the following: "Books and pamphlets printed wholly or chiefly in languages other than English, and all textbooks used in schools and other educational institutions; also."
4. In paragraph 1531, line 9, insert "in any one invoice" after the word "exceed."
5. In paragraph 1532, line 17, strike out the words "and not exceeding \$250 in value."

SUMMARY.

I. The bill alters present and past practice as follows:

1. Makes dutiable virtually all books of foreign origin. (Books 20 years old free since 1870; rest, except English, free since 1890.)
2. Institutions limited to two duty-free copies. (All free since 1816.)
3. Textbooks removed from free list. (Freed in 1913.)
4. Immigrant's books made subject to duty when exceeding \$250 in value. (His books and household effects free since 1790.)
5. Duty raised to 20 per cent from 15 per cent. (Duty from 5 per cent to 10 per cent before the Civil War, except 1841-1846, 20 per cent; 25 per cent thence to 1913; 15 per cent, 1913-.)

II. Organized education, art, science, and scholarship oppose these changes because—

1. It reverses our own tariff tendency, regardless of party, the duty resting historically on two emergency rates, which do not fit present conditions.
2. It violates foreign practice, since (a) the United Kingdom, France, and Germany admit all free; (b) Italy and Switzerland fix nominal duties, if at all—2 cents and one-half cent per pound, respectively; (c) Canada has 10 per cent (except 25 per cent on fiction), free much that we do not, and now has voted for reciprocity.
3. The revenue gained would be out of all proportion to the harm done in checking the spread of knowledge.
4. Our foreign population will resent the bar against their literature.
5. Cost of foreign language books would rise, as have those in English.
6. Libraries would be handicapped by red tape, be taxed for multiple copies, suffer from international trade agreements between publishers, and lose an unequalled opportunity to stock with European fundamentals, because of crippling the book-sellers.
7. These importing firms, already handicapped by exchange, would be afraid to import on a problematical duty.
8. Taxing textbooks violates the spirit of educational exemption. It is upon ambitious students that the blow would fall.

III. The typothetae, lithographers, and bookbinders who espouse the change have a worthy aim but a mistaken notion of the way to attain it. They do not object to the free entry of bona fide foreign books. They seek only to prevent American publishers from sending American work abroad to be done. They can attain their end without felling the whole line of innocent importers. (It should, however, be added that their need is overstated, as shown by a concrete example.) It is a happy discovery, therefore, that the desires of the users and the makers of books are in reality not at variance.

CADMIUM.

[Paragraph 1539.]

STATEMENT OF WILLIAM LOEB, JR., VICE PRESIDENT AMERICAN SMELTING & REFINING CO., NEW YORK CITY.

Mr. LOEB. Mr. Chairman and gentlemen of the committee, I appear before you this afternoon as spokesman for the producers of cadmium metal. It is at present on the free list under paragraph 1539.

Cadmium sulphide, which is the pigment, carries an ad valorem rate of 25 per cent under the pigment section, so that it would be quite consistent that cadmium metal should carry a duty also.

I have given in my memorandum the figures on American and German production and the sales prices.

In 1920 the United States produced 129,283 pounds. The average sale price per pound was \$1.17.

While imports of cadmium from Germany have been comparatively small, this is due to the fact that the American producers, in their desire to keep the American market, have continually reduced their price to meet reductions in the German price to the point where now there is no profit in the sale of cadmium and, in fact, for most producers an actual loss.

The producers in the United States are the American Smelting & Refining Co., Globe Plant, Denver, Colo.; Grasselli Chemical Co., Cleveland, Ohio; Krebs Pigment & Chemical Co., Newport, Del.; Midland Chemical Co., Argo, Ill.; and the United States Smelting, Refining & Mining Co., Midvale, Utah, and Kennett, Calif.

Because of the fact that cadmium is produced as a by-product the cost of production, as figured by the producing company, depends entirely upon what proportion of each operation is charged against this particular by-product as compared with other by-products or major metals. Such cost of production is, therefore, extremely difficult to state accurately, as everything depends upon the particular system of accounting employed by the individual companies. In fact, the same thing is true in figuring the cost of this metal that is true of the other by-product metals.

So far as we can now ascertain, the highest cost of production, as figured by any of the principal producers, was \$1.172 per pound for 1920, \$1.69 for 1921 to date. Other costs will range under these figures and down to somewhat less than \$1 per pound.

The cost of production fixed by accounting in such an operation is always below the entire production cost from raw ore to finished metal. This cost is in reality the necessary cost of the last operation of recovery. This is shown by the fact that where the price of the metal falls below the fixed production cost the smelters cease recovery of the metal, preferring to eliminate this item of cost even at the expense of loss of the metal.

The German cost is unknown, but in view of the fact that the German producers are pressing sales at as low as 75 cents per pound, their cost is probably extremely low, and this is substantiated by our general knowledge that all German products produced from 100 per cent German raw materials and labor are ridiculously low because of the depreciated mark currency.

The present market price in the United States is \$1 to \$1.10 per pound. In Germany it is 75 cents per pound.

Cadmium is used in very small quantities in a variety of ways, chiefly in alloys. Its salts are used in the arts, in medicine, and in electroplating. Certain alloys are desirable because of the very low melting point of cadmium metal. Also, it results in toughening copper wire when inserted in the molten copper metal in very small quantities. Experiments are being constantly carried on to increase its uses along these lines.

The comparative insignificance of the total amount consumed in this country, as indicated from the above production figures, is balanced by the fact that where cadmium is necessary it is highly important that it should be used even though the final product will contain only a fraction of 1 per cent of cadmium.

Cadmium is produced entirely as a by-product, as it is found in very small quantities in ores which are treated for the recovery of other metals, principally spelter. If the price is low there is no incentive for the smelters to recover this by-product and it is lost to the country.

Mr. Siebenthal in his pamphlet on cadmium for 1920 (U. S. Geological Survey, Mineral Resources of the United States, 1920) estimates that 600 short tons of cadmium accumulates annually in the various plants in this country which is not recovered as metallic cadmium. In other words, only about 1 out of every 10 tons of recoverable cadmium is actually recovered.

Not to provide protection which will assure the saving of this metal is to cause a triple economic loss: First, the loss to industry; second, the loss to the Government in revenue; and, third, the irreplaceable loss of the metal itself.

We feel that as a by-product industry cadmium should be protected so that the raw-material resources of the country shall not be wasted, and, therefore, we ask for a specific duty of 25 cents per pound.

(Mr. Loeb submitted the following data:)

Production and sales prices.

Year.	United States.		Germany.	
	Quantity.	Average price per pound.	Quantity.	Average price per pound.
	<i>Pounds.</i>		<i>Pounds.</i>	
1906.....	300	\$1.000	47,368	\$0.76
1907.....	14,000	1.025	72,630	.84
1908.....	8,000	.750	72,741	.67
1909.....	5,300	.525	81,982	.57
1910.....	4,700	.550	90,516	.43
1911.....	26,152	.670	93,861	.57
1912.....	52,508	.760	94,262	.67
1913.....	54,198	.770	81,993	.78
				<i>Marks.</i>
1914.....	91,409	.890	86,000	2.97
1915.....	91,415	1.190	82,000	2.92
1916.....	135,212	1.580	128,000	4.79
1917.....	207,408	1.470	172,000	6.74
1918.....	127,164	1.480	236,000	6.31
1919.....	90,920	1.220	85,395	16.53
1920.....	129,283	1.170	.....	.....
Total.....	1,046,988	.....	1,424,757	.....

CASH REGISTERS.

[Paragraph 1541.]

STATEMENT OF H. A. SAVAGE, SAGINAW, MICH., REPRESENTING
THE AMERICAN CASH REGISTER CO.

Mr. SAVAGE. Mr. Chairman and gentlemen, I realize that you gentlemen are passing through something during these holidays that I was not aware of. We had had false reports out in our section of the United States. They said that the Senators were not working. I am going back to have that report amended. I see that you are working.

I do not want to take any more of your time than is absolutely necessary. I have a brief, and I shall touch only the high spots, leaving the brief for your consideration, because I am inclined to the opinion that you hear more of this than perhaps I shall be able to tell you.

I am representing the American Cash Register Co., being president and general manager of that company. I represent also the St. Louis Cash Register Co. and the Michigan Machine Co.—the three so-called independent cash register companies in the United States.

As I said before, I shall touch only some of the high points in order that you may have an idea of what we are asking for.

—I may say to you again before I forget it that this brief is not complete, so far as some of our exhibits are concerned. The complete brief, I believe, is in the hands of your committee, or the secretary of your committee, it having been filed some time ago by Senator Townsend.

The cash registers manufactured by the three companies that I have mentioned cover a wide range of sizes and styles, and fill the requirements of 90 per cent of our American merchants. The retail selling prices vary from \$40 to \$80 for Michigan cash registers, from \$60 to \$200 for St. Louis cash registers, and from \$150 to \$650 for American cash registers. I am mentioning these prices so that you may understand that they are not only fair but they are very reasonable.

Senator McCUMBER. The prices range from \$40 to \$650?

Mr. SAVAGE. The National Cash Register Co. makes machines that sell for as much as \$1,600 and \$1,800, but they are not this particular line of machines. They are the multiple-drawer machine.

The cash register manufacturers, other than the National Cash Register Co., were never able to make any substantial progress whatever until after the United States district court permanently enjoined the National Cash Register Co., of Dayton, Ohio, from unfair and illegal practices as interpreted under the antitrust laws enacted by Congress July 2, 1890. A copy of the court's decree in this case is attached to the brief marked "Exhibit A."

Just let me explain that brief for a moment. The National Cash Register Co. was then the old Halwood Co. For 25 years suits were pending in every court of the land from the lowest court up to the United States district court at Cincinnati.

Senator WATSON. What has that to do with the tariff.

Mr. SAVAGE. I want to tell you what it has to do with it. If you do not care to hear it, I can file the brief.

Senator WATSON. What particular bearing it has on the tariff I can not see.

Mr. SAVAGE. I was mentioning the fact in connection with the fact that the competition from abroad leads up to this. If you will pardon me, I will touch on that for just a moment to show that the competition comes from the fact that this company now has a factory in Germany. The cash registers known as the Anker brand are manufactured in many different types and sizes and are now being offered for sale in the United States. Their representatives are now attempting to secure agencies throughout this country. The representatives appointed are De Lumen Brothers, New York, N. Y., and they claim to be the sole distributors of Anker cash registers for the United States and Canada. This is the German cash register. They have quoted prices that are very much below the actual cost of production in this country, as shown by Exhibit E, which is attached to our brief.

The National Cash Register Co. also has a factory in Berlin, Germany. We have attached to our brief a catalogue issued by that company and marked "Exhibit D," and your attention is called to the statement that they have a branch factory at Berlin, Germany.

We have foreign makes of cash registers.

Germany has very recently increased the duty upon cash registers from 20 marks per 100 kilograms to 1,200 marks per 100 kilograms. Germany has thus protected her cash-register industry against the importation of cash registers from other countries.

Senator SMOOT. What are you asking for?

Mr. SAVAGE. A tariff.

Senator SMOOT. Well, how much?

Mr. SAVAGE. We would like to have a tariff of 25 per cent, but we are willing to take whatever you deem advisable or right.

I want to draw your attention to another thing. The labor used in connection with this class of work is paid an amount equal to 2 cents per hour in German factories, based on the value of United States money in Germany as shown by the reports of our Bureau of Foreign and Domestic Commerce. The average wage scale for the same class of work in the United States is 57.5 cents an hour. It is rather difficult for us to compete under such conditions as that if the cash registers are permitted to come in free of duty.

Senator WATSON. Are they coming in now?

Mr. SAVAGE. They are just beginning to come in, Senator. I show in this brief where they are on sale and where they are now being distributed in the city of New York. I do not want to take up your time going over everything in the brief. I would rather leave it with you gentlemen and let you use your own good judgment, because you know what is necessary for the business of the country just as well as we do. I might add, however, that there are now employed by the cash-register companies in the United States between 20,000 and 25,000 men. It is a considerable industry.

If there is anything that you can do that you think would be advisable in a business way that will prevent our suffering from this competition, we would like to have you consider it.

We did not appear before the House Ways and Means Committee because at that time the registers were not coming in from Germany, but under the pressure of circumstances over there the Krupp gun works are being built to make cash registers instead of cannon. That puts rather a different complexion on the situation.

Senator McCUMBER. They are going to bombard us with registers instead of bombs?

Mr. SAVAGE. Yes. We are willing to accept the challenge and go ahead. We ask, however, if you can, that you give us protection. We will be more than pleased to have it.

If there are any questions that you would like to ask, either Mr. Edwards, of the St. Louis company, or myself will be glad to answer them.

BRIEF OF H. A. SAVAGE, REPRESENTING THE ST. LOUIS CASH REGISTER CO. (INC.) AND AMERICAN CASH REGISTER CO.

We respectfully request that the present tariff bill now before Congress be amended or revised in such manner as will levy a duty on cash registers, and parts for same, for the following reasons:

When the existing tariff laws were passed by Congress, there was but one financially strong cash register manufacturer in the United States, namely, the National Cash Register Co., of Dayton, Ohio. That company enjoyed what amounted, to almost a complete monopoly of the cash register industry. That tariff act imposed no import duty upon cash registers, with a view, no doubt, of encouraging foreign competition, and thus protecting the merchants of the United States against the very high prices charged by the one manufacturer above referred to.

Since then, however, conditions have changed very materially. The St. Louis Cash Register Co., of St. Louis, Mo., now manufactures 22 models or sizes of cash registers retailing at very moderate prices. The American Cash Register Co., of Saginaw, Mich., are manufacturing many models or sizes of cash registers which also retail at moderate prices. The Michigan Machine Co., of Detroit, Mich., manufacture five sizes or models of cash registers which sell at very low prices.

The cash registers manufactured by the three companies last mentioned cover a wide range of sizes and styles, and fill the requirements of fully 90 per cent of our American merchants. The retail selling prices vary from \$40 to \$80 for Michigan cash registers, from \$60 to \$200 for St. Louis cash registers and from \$150 to \$650 for American cash registers.

It is possible, therefore, for American merchants to obtain cash registers at fair and reasonable prices, based upon the cost of production, and they are now well protected against any exorbitant prices that might be demanded by a single manufacturer.

The cash-register manufacturers, other than the National Cash Register Co., were never able to make any substantial progress, however, until after the United States district court permanently enjoined the National Cash Register Co., of Dayton, Ohio, from unfair and illegal practices as interpreted under the antitrust laws enacted by Congress July 2, 1890. Copy of the court's decree just mentioned is hereto attached and marked "Exhibit A."

Cash registers are now being manufactured in several foreign countries and particularly in Germany. It is stated upon reliable authority that the Krupp Gun Works are now manufacturing cash registers. See newspaper clipping marked "Exhibit B." But the principal one which has come to the attention of the manufacturers in this country is that of the Anker-Werke, of Bielefeld, Germany. (See catalogue marked "Exhibit C.")

The cash registers known as the Anker brand are manufactured in many different types and sizes and are now being offered for sale in the United States. Their representatives are now attempting to secure agencies throughout this country. The representatives appointed are De Lumen Bros., 110 East Twenty-third Street, New York, N. Y., and they claim to be the sole distributors of Anker cash registers for the United States and Canada, and they have quoted prices that are very much below the actual cost of production in this country, as shown by "Exhibit E" hereto attached.

The National Cash Register Co. also has a factory in Berlin, Germany. Page 68 of a catalogue issued by that company is hereto attached and marked "Exhibit D," and your attention is called to statement that they have a branch factory at Berlin, Germany.

It is a well-known fact that cash registers or other manufactured articles can be manufactured in Germany under the industrial conditions existing in that country and shipped to the United States and offered for sale at prices much less than the cost of production of similar products manufactured in the Middle West of this country.

If any German manufacturer, including the National Cash Register Co., with its factory at Berlin, is able to manufacture cash registers in Germany, where the value of the United States dollar is so high and where material and labor costs are so low, and offer their product for sale in the United States, duty free, thereby participating in the American market on an equal basis with American manufacturers, it can readily be seen that the manufacturing companies located in the United States other than the National Cash Register Co. will be forced out of business and their long years of struggle to attain success will come to naught.

The National Cash Register Co. is in a position where it need not become active in securing tariff protection against foreign competition. Foreign competition in this market will accomplish for that company what it can not do for itself on account of the injunction against it, and then with a factory at Berlin, Germany, it will be able to compete on an equal manufacturing basis with other foreign makers of registers.

In other words, the National Cash Register Co. can well afford to remain inactive until foreign manufacturers have driven the other manufacturers of the United States out of business, and then it, with the product of its Berlin factory, could no doubt drive the other foreign manufacturers from the field, and thus again enjoy a monopoly of the cash-register industry in this country.

Canada imposes a 30 per cent ad valorem import duty upon cash registers, Mexico imposes an import duty upon cash registers, and Germany also imposes an import duty upon cash registers amounting to 1,200 marks per 100 kilograms in weight. See letter from Bureau of Foreign and Domestic Commerce hereto attached and marked "Exhibit F."

Germany has very recently increased the duty upon cash registers from 20 marks per 100 kilograms to 1,200 marks per 100 kilograms. Germany has thus protected her cash-register industry against the importation of cash registers from other countries.

The transportation charges upon cash registers from Hamburg, Germany, to New York City amounts to only a few cents more per register than the freight charges on cash registers from the Middle West to New York.

Without a careful analysis of the peculiar conditions attached to the cash-register industry in the United States, it may on the surface appear that the greatest benefit will accrue to the great mass of American merchants by admitting cash registers free of duty, and that this is the end to be sought rather than the protection of a few concerns that are manufacturing this product, and their employees, but if conditions are such that these manufacturers are forced out of business, as we firmly believe they will be, unless a substantial duty is enacted in the present tariff act, then exactly the opposite effect will result.

The cash-register manufacturers of the United States are sincere in the belief that if foreign manufacturers are permitted free access to the American market, then within a remarkably short period of time the National Cash Register Co. will again be in control of the cash-register industry in the United States and in consequence the American merchants will again be compelled to pay exorbitant prices for cash registers.

Before the United States District Court entered its injunction decree February 21, 1916, against that company, the history of all cash-register manufacturers who had the temerity to engage in the business was a succession of organization, reorganization and final dissolution.

Since that decree became effective, however, other manufacturers have made considerable progress and a great many people in the United States are, by them, now employed in manufacturing and marketing cash registers, notwithstanding severe handicaps because of the fact that the industry was not especially attractive to capitalists, they fearing that the injunction decree herein referred to, might sometime be dissolved or modified and the former monopolistic competition again become effective, or that foreign competition

would arise without ample tariff protection to equalize the difference in the cost of production in this country and in foreign countries.

Prior to the issuance of the said injunction, the National Cash Register Co. sold cash registers of certain competitive models at a price less than cost of production, making up its loss on certain other models not manufactured by competitors, which models were sold at a very high price, with resultant large profits. This was done solely to stifle and throttle competition in the United States, and the means used were highly successful. The injunction issued by the United States Court put a stop to this unethical practice, but the identical conditions, even with the injunction, would become prevalent if registers made in Germany can be sold in the United States at a price less than the cost of production here.

If German-manufactured cash registers are now permitted to enter the American market free of any duty that will equalize the cost of production between this country and that country, it will not only be impossible to secure additional capital if needed, but the money already invested in the industry will, in a comparatively short period of time, be lost and thereafter it will be impossible to again interest American capital in the cash-register industry.

It is the sincere belief of the cash-register manufacturers, other than the National Cash Register Co., that their sole hope of success depends upon a reasonable protective tariff and that there will be no modification or nullification of the court's decree entered against the National Cash Register Co.

From the foregoing it must be evident that there should be a duty of at least 25 per cent ad valorem upon cash registers entering this country:

First, to secure the revenue upon that product for our own treasury.

Second, to protect the great mass of American merchants against the possibility of one manufacturer again gaining a monopoly of the cash-register industry in this country and thereafter demanding exorbitant prices for its product.

Third, to protect our own laborers against the cheaper labor of foreign countries, including foreign labor employed by an American manufacturer on foreign soil.

Fourth, for the protection of American capital that has been invested by the manufacturers, other than the National Cash Register Co., in the cash-register industry in this country.

The undersigned, therefore, earnestly and respectfully request that the present tariff bill now before Congress be amended to include an ad valorem duty of at least 25 per cent upon cash registers, cash-register parts, including wood and/or metal bases, and/or cash drawers for same, and upon calculating or adding machines and parts for same if their ultimate use is for the purpose of being mounted or attached to a cash drawer or in any way used as a cash register, or as a substitute for a cash register.

EXHIBIT A.

In the District Court of the United States, southern district of Ohio, western division. The United States of America, plaintiff, v. The National Cash Register Co., John H. Patterson et al., defendants. In equity, No. 6802.

FINAL DECREE.

This day comes the parties by their counsel, and thereupon the defendants hereinafter named, consenting not to oppose the entry of the following decree, as more fully appears by their written consent on file herein, and the plaintiff, through its counsel, having moved for an injunction, on consideration thereof the court finds for the plaintiff and against said defendants, and that the plaintiff is entitled to the relief prayed for in the following particulars:

It is therefore ordered, adjudged, and decreed:

First. That the defendants, The National Cash Register Co., John H. Patterson, G. O. Edgeter, W. F. Bippus, Robert Patterson, George G. Shaw, H. G. Carnell, Alexander Harned, F. S. High, M. G. Keith, W. M. Cummings, J. O. Laird, Pllny Eves, C. T. Walmisley, O. A. Snyder, E. H. Epperson, Myer N. Jacobs, and M. L. Lasley, have combined to restrain and have attempted to monopolize interstate and foreign trade and commerce in cash registers in violation of sections 1 and 2 of the antitrust act of July 2, 1890, by one or another of the means hereinafter enjoined.

Second. That the defendant, the National Cash Register Co., its directors, officers, agents, and employees, and the individual defendants, John H. Patterson, G. C. Edgeter, W. F. Blppus, Robert Patterson, George G. Shaw, H. G. Carnell, Alexander Harned, F. S. High, M. G. Keith, W. M. Cummings, J. C. Laird, Pliny Eves, C. T. Walmsley, C. A. Snyder, E. H. Epperson, Myer N. Jacobs, and M. L. Lasley, their employees, agents, and servants, and any other persons authorized to act or acting for or in behalf of any of them, be, and they are hereby, jointly and severally, enjoined and restrained as follows:

(a) From persuading or inducing, or attempting to persuade or induce, a purchaser of a cash register or other registering device manufactured or sold by any competitor, or a person who has agreed or contracted to become such purchaser, to break or repudiate his contract of purchase, or to return or refuse to receive the cash register or other registering device so bought or agreed to be bought, or to refuse to pay for the same in accordance with his agreement with said competitor.

(b) From espionage upon a competitor or his agent, or a solicitor of a competitor, or upon a retail dealer in the cash register or other registering devices of a competitor, for the purpose of obtaining the names or addresses of purchasers or prospective purchasers from any such competitor or retail dealer, or for the purpose of obtaining any other information as to his private affairs or business; and from using any information so obtained in order to dissuade or endeavoring to dissuade any person or persons from purchasing any cash register or other registering device manufactured or sold by a competitor.

(c) From inducing, or attempting to induce, either directly or through another, any employee or ex-employee of any competitor, or of his agent, or dealer, to disclose to said defendants, or to either of them or to any person for them or for either of them, the business secrets of his employer or former employer.

(d) From inducing, or attempting to induce, any employee or agent of a competitor, or any dealer in the cash register or registering devices of a competitor, to leave the service of such competitor or to cease to deal in such competitor's cash registers or other registering devices, and from employing or attempting to employ any such agent or employee so induced to leave the service of a competitor, or any such dealer so induced to cease dealing in the cash registers or other registering devices, of a competitor, as an agent or employee of the defendant corporation or any company organized as a successor to its business in whole or in part.

(e) From using any information as to the trade secrets or business confidences of any competitor which shall have been derived from any person who shall have been in the employ of any such competitor and which shall have been obtained by him in the course or by means of such employment.

(f) From manufacturing, selling or offering for sale any cash register or other registering device made to resemble in appearance a competing register or registering device, or producing, or designed to produce, the same or similar results, or performing, or designed to perform, the same or similar functions, when sold or offered for sale, not in good faith for the purpose of earning profits therefrom, but for the dominant purpose of preventing sales of such competing cash registers or registering devices, or of inducing the purchaser or owner of the competing cash register or registering device to substitute therefor one of such similar machines; or from selling any cash register or registering device at a price fixed with reference not to the cost of manufacture but solely with reference to the price of the said competing cash register or registering device, for the purpose of driving from business in interstate or foreign commerce the manufacturer of or dealer in such competing cash registers or other registering devices.

(g) From selling or otherwise disposing of any cash register or other registering device manufactured by a competitor, whether acquired by purchase, exchange or otherwise, not for the purpose of realizing therefrom as much as practicable but for the dominant purpose or intent of preventing sales by a competitor or retail dealer in the cash registers or registering devices of a competitor; and from acquiring any such cash register or other registering device, manufactured by any competitor, for any of the purposes specified in this subparagraph of this decree.

(h) From selling or otherwise disposing of any second hand cash register or other registering device of the defendant's own make for the purpose not of realizing therefrom as much as practicable but for the dominant purpose of

underselling a competitor and driving him from business: *Provided*, That nothing herein contained shall prevent any sale or offer at a price made in good faith to meet competition.

(f) From employing any person, whether known as a "special man," or "competition man," hereby defined to be an employee, to have as his principal business not the promotion of the sale of the cash registers or other registering devices of the make of the defendants, or the solicitation of orders therefor, but the prevention of sales of cash registers or other registering devices by a competitor, or his agents, or dealer.

(g) From following from one city or village to another, or from one place in the same city or village to another place therein, any competitor, or his salesman, or agent, or any dealer in a competitive cash register or other registering device, for the purpose of interfering with or hindering such competitor, salesman, agent, employee, or dealer, while attempting to sell any cash register or other registering device, or for the purpose of ascertaining the names of the persons upon whom, or the places of business at which, such competitor, salesman, agent, employee, or dealer may call.

(h) From making or circulating, or causing to be made or circulated, any statement, report, representation, or insinuation reflecting upon the solvency or responsibility, financially or otherwise, of any competitor, or upon the efficiency of any competing cash register or other registering device, when such statement, report, representation, or insinuation is either a misrepresentation or is made for the mere purpose, not of directly promoting the sale of registers or other registering devices manufactured by defendants, but of preventing the sale of competing cash registers or other registering devices, or of driving such competitor from business.

(i) From using or publishing, or causing to be used or published, any document, circular, or letter the purpose or intent of which is to recommend or suggest to agents or employees of the defendants the doing of any act herein forbidden; and from in any manner communicating to such agents or employees any means of accomplishing or bringing about any such act.

(m) From intimidating or attempting or threatening to intimidate any competitor or any person contemplating becoming a competitor in the manufacture or sale of cash registers or other registering devices in interstate or foreign commerce by maintaining or making a display of models of machines of the defendants' make, together with various rival machines which they were built to resemble or to displace, or by maintaining or making a display of quantities of second-hand registers or other registering devices of a competitor, or by displaying placards or statements purporting to show the amounts lost by various competitors in an effort to compete with the defendant corporation or its predecessors, and from intimidating or attempting or threatening to intimidate, by any such means, investors or persons contemplating becoming investors in the stocks or other securities of competing companies formed or to be formed.

(n) From maintaining as an ostensible competitor any corporation or organization owned, directed, or controlled, by stock ownership or otherwise, by said defendants or any of them, or affiliated with them, or any of them, without disclosing the connection with the said defendants.

(o) From intimidating or attempting or threatening to intimidate purchasers or prospective purchasers of competing cash registers or other registering devices, with suit or liability for patent infringement unless and until such claim of infringement has been sustained by a court of competent jurisdiction. But nothing herein contained shall prevent defendant corporation or its proper representative from serving in good faith upon any such purchaser a formal notice of its claim of infringement.

(p) From acquiring ownership or control, directly or indirectly, by means of stock ownership or otherwise, of the whole or an essential part of the business, patents, or plant of any competitor engaged in the manufacture or sale of cash registers or other registering devices in interstate or foreign commerce: *Provided*, That in case any such acquisition is desired, a petition may be presented to this court stating the reasons therefor, and if the court upon investigation into all the circumstances of the case and after notice of not less than 60 days to the Attorney General shall determine that such business or patents or plant so desired to be acquired will supplement the plant, patents, machines, or facilities of the defendant corporation and that the acquisition thereof is desired for that purpose and will not substantially lessen competition, then jurisdiction is reserved to pass an order permitting the same upon such terms and conditions as may be right.

Third. That jurisdiction of this cause be and is hereby retained for the purpose of enforcing this decree, and for the purpose of enabling the parties to apply to the court for modification hereof if it be hereafter shown to the satisfaction of the court that by reason of changed conditions or changes in the statute law of the United States the provisions hereof have become inappropriate or inadequate to maintain competitive conditions in interstate or foreign trade in cash registers or other registering devices in the United States, or have become unduly oppressive to the defendants and are no longer necessary to secure or maintain competitive conditions in such interstate and foreign trade.

Fourth. That defendants pay the costs of this suit to be taxed.

Fifth. That said petition be and it is hereby dismissed without prejudice as against the defendants S. W. Davies, E. H. Bunstine, A. A. Thomas, and A. A. Wentz.

HOLLISTER, *Judge*.

EXHIBIT B.

KRUPPS EMPLOY 18,000 MORE PEOPLE THAN BEFORE—FORMER ARMAMENT PLANTS BUSY TURNING OUT ARTICLES NEEDED IN TIMES OF PEACE.

WASHINGTON, October 1, 1921.

Employing 18,000 more laborers than in the prewar period, the big Krupp plants of Germany are manufacturing steel products ranging from locomotives to motion-picture apparatus, a special report to the Department of Commerce from William T. Daugherty, American trade representative, says:

The manufacture of railroad equipment has reached the point where the factory of Essen is turning out one locomotive, and a train of eight 15-ton cars every day. At the plants at Eheinhausen and Annen automobiles, fire apparatus, street-cleaning apparatus, stationary steam engines, Delsel motors, cash registers, farm machinery, and machinery for the textile, paper, cement, rubber and earthenware industries are being manufactured. The shipyard at Kell-Gaardon is working on passenger and cargo ships and river barges.

EXHIBIT C.

The original copy of this exhibit (Anker-Werke catalogue) has been filed with the Finance Committee of the United States Senate, and copy omitted herewith because of its great size and the difficulties of reproducing.

EXHIBIT D.

The National cash-register factory is equipped with every modern improvement for the production of a perfect cash register.

Our plant utilizes 44 acres of ground. It comprises 19 buildings, with 38 acres of floor space. Daily capacity, 500 registers; 6,000 employees. We own 2,800 patents, covering over 30,000 claims.

For more than 30 years we have made nothing but cash registers.

They are made of the best material, carefully tested, and by efficient workmen, under the the supervision of men who have had many years of cash register experience.

National cash registers represent the highest type of mechanical development. They are easy to operate, work fast, and make no blunders.

We build registers suitable for every kind of business, from the smallest to the largest.

We buy, sell, and exchange all kinds of second-hand and rebuilt National cash registers.

Our registers can be bought on easy monthly payments, or we allow a liberal discount for cash.

Mistakes in your store cost you money.

Stopping mistakes increases your trade and profit. An up-to-date National cash register stops them.

Right now, while the matter is before you, make up your mind to increase your profits. Don't delay.

Without placing yourself under obligations to buy, you can have the advice of one of our agents.

From him you can find out how more than a million merchants have made more money.

Write us and our agent will see you; you will be under no obligations to buy.

THE NATIONAL CASH REGISTER Co.,
Dayton, Ohio.

EXHIBIT E.

From the distributors of Anker cash registers for United States and Canada. Wholesale price list f. o. b. our warehouse New York City.

Finishes: A, hammered brass, black polish, nickel plated edges; B, hammered brass, nickel plated with highly polished edges; M, smooth enamel mahogany; O, smooth enamel oak.

Extra charges:

Electric motor.....	\$60.00
Numbering device.....	40.00
Autographic attachment with check printer ¹	25.00
Autographic attachment with slip printer.....	15.00
Backelectro printing.....	10.00
Automatic check device.....	7.50
Double impression on slip-printer.....	17.50
Triplicate printing.....	7.50
Simultaneous check and slip-print.....	17.50
Simultaneous check and slip-printing and autographic attachment.....	25.00
Revolving base with drawer.....	5.00
Revolving base without drawer.....	No charge.

WE DO NOT MAKE DIVIDED BANKS.

Class 600, lever operated:

No. 607, 4 levers, 1 release lever, without printing mechanism, 99.99.....	\$95.00
No. 606, 4 levers, 1 release lever, detail strip, 99.99.....	115.00
No. 610, 4 levers, 1 release lever, detail strip and check, 99.99.....	135.00
No. 617, 5 levers, 1 release lever, detail strip and check, 9 initials, 99.99.....	145.00
No. 635, 5 levers, 1 release lever, detail strip and check, 6 initials, 3 special keys in one bank, or 5 special keys, 99.99.....	145.00
No. 627, 5 levers, 1 release lever, detail strip and check, 999.99.....	145.00

Class 400, press-in keys:

No. 407, 4 banks, 99.99, no-printing.....	120.00
No. 408, 4 banks— 99.99, detail strip.....	140.00
9.99, detail strip, 9 initials.....	140.00
9.99, detail strip, 3 to 5 special keys.....	140.00

Class 400, press-in keys:

No. 410, 4 banks— 99.99, detail strip and check.....	160.00
9.99, detail strip and check, 9 initials.....	160.00
9.99, detail strip and check and 3 to 5 special keys.....	110.00
No. 415, 5 banks— 99.99, detail strip, 9 initials.....	155.00
9.99, detail strip, 9 initials, and 3 to 5 special keys.....	155.00
No. 421, 5 banks, 99.99, detail strip, 5 special keys.....	155.00
No. 423, 5 banks— 99.99, detail strip and check, 5 special keys.....	175.00
99.99, detail strip and check, 5 keys, with top indication.....	220.00
No. 417, 5 banks, 99.99, detail strip and check and 9 initials.....	175.00
No. 424, 5 banks, 999.99, without printer.....	140.00
No. 425, 5 banks, 999.99, detail strip.....	155.00
No. 427, 5 banks, 999.99, detail strip and check.....	175.00

¹ Autographic attachment only on registers without numbering device.

Class 450, press-in keys:

No. 450, 6 banks, 99.99, detail strip and check and 9 initials, 3 to 5 special keys, top indication..... \$220.00

Other prices of registers of this class on application.

Class 55, multiple counters, press-in keys:

No. 550-4-4, 99.99, detail strip and check, 4 clerk's initials, 3 to 5 special keys, 4 reel counters, 4 drawers..... 380.00

Other prices on application.

EXHIBIT F.

DEPARTMENT OF COMMERCE,
Washington, October 21, 1921.

DISTRICT OFFICE MANAGER,

Bureau of Foreign and Domestic Commerce, St. Louis, Mo.

Replying to your letter of October 17, requesting for the St. Louis Cash Register Co. the German import duty on cash registers, I would say that cash registers are dutiable in Germany at the rate of 1,200 paper marks per 100 kilos of 220.46 pounds.

O. P. HOPKINS, *Assistant Director.*

SEWING MACHINES.

[Paragraph 1541.]

STATEMENT OF H. M. HUFFMAN, VICE PRESIDENT DAVIS SEWING MACHINE CO., DAYTON, OHIO.

Mr. HUFFMAN. Mr. Chairman and gentlemen of the committee, my name is H. M. Huffman.

Senator McCUMBER. Are you to speak in the place of Mr. Lewis?

Mr. HUFFMAN. Yes, sir. I am the vice president of the Davis Sewing Machine Co., of Dayton, Ohio, and I represent in addition to my own company the independent family sewing-machine manufacturers of the United States, consisting of the following companies:

The Free Sewing Machine Co., Rockford, Ill.; the King Sewing Machine Co., Buffalo, N. Y.; the New Home Sewing Machine Co., Orange, Mass.; the National Sewing Machine Co., Belvedere, Ill.; the Standard Sewing Machine Co., Cleveland, Ohio; the White Sewing Machine Co., Cleveland, Ohio; and the Davis Sewing Machine Co., Dayton, Ohio.

Sewing machines are placed on the free list in paragraph 1541 of the Fordney bill. We are here to object to this action and to show the necessity of and to ask for an adequate tariff on family sewing machines.

I would like to call your attention to the difference between a manufacturing sewing machine and a family sewing machine. The manufacturing machine is the power-driven machine, and the family sewing machine is the machine that ordinarily appears in the home.

Our industry represents an aggregate capital investment of over \$18,000,000. Its sales at wholesale values in the year 1919 amounted to \$13,500,000. Workmen employed directly in production of that output number 8,300 in addition to those engaged in distribution, service, and the fabrication of material. Wages paid approximate \$7,500,000 annually.

The plants of these companies are American owned and operated and located in the United States, with the exception of one branch assembly plant located in Canada.

Under the Payne-Aldrich bill family sewing machines were afforded protection by a tariff of 30 per cent ad valorem, which was removed in 1913 by the Underwood bill, which placed family sewing machines on the free list.

Shortly thereafter German manufacturers, who number two and one-half the number of American sewing-machine manufacturers, with one and one-half times the output, instituted a campaign for business in this country and would have supplanted American family sewing machines and ruined our industry, owing to their ability to greatly undersell us in our own markets by reason of much lower cost of production, but for the intervention of the war just as they were getting started.

We now ask that our product be taken from the free list and that a minimum duty of 30 per cent, based on American valuation, be levied on family sewing machines, in whole or in parts, including repair parts. This will partially offset the great advantage held by German sewing-machine manufacturers on account of lower labor costs, and will yet place them on a fair and equitable basis of competition with ourselves.

Senator SMOOT. The highest importation of sewing machines into the United States, I see, is \$100,304, and at the same time there were exportations of \$7,793,718.

Mr. HUFFMAN. I think those figures are substantially correct, Senator. The reason for that is that we were enjoying the protection of the Payne-Aldrich bill of 30 per cent.

Senator SMOOT. That is after the Payne-Aldrich bill.

Mr. HUFFMAN. Well, before the Germans could take advantage of the freedom provided under the Underwood bill the war intervened and German machines were not brought into this country in any quantity.

Senator CURTIS. Are they bringing many in at this time?

Mr. HUFFMAN. No; not at this time.

Senator SMOOT. Your largest export of sewing machines was, as I said, \$7,793,718, and that was in the year 1918?

Mr. HUFFMAN. Yes, Senator, and the reason for the large exportation at that time was that Germany and Scotland, which are the two great producing nations on sewing machines, were prevented from exporting by reason of the war, which left the market open to the American manufacturers and they exported during that period in large quantities. There was a great opportunity for American export during the war.

Senator McCUMBER. What does the ordinary family sewing machine sell for in this country now?

Mr. HUFFMAN. It sells to-day at from \$30 to \$75. There are some that are offered at special bargains for less than that, but the standard prices will run from \$30 to \$75.

Senator McCUMBER. And if a duty of 30 per cent were given, would that raise the price of them to the American user?

Mr. HUFFMAN. No, sir; I could see no reason why it should, Senator.

Mr. McCUMBER. Is there any competition here in the United States between the several companies that manufacture them?

Mr. HUFFMAN. There is a great deal of competition in the sewing-machine industry, more than in any I know of.

Senator SMOOT. What does the \$75 machine cost to produce in America?

Mr. HUFFMAN. The machine referred to as the \$75 machine is a machine sold with a high selling expense. I should say that the factory cost of that machine would run in the neighborhood of \$40. When I say factory cost I mean the factory cost exclusive of the retailer's margin, and exclusive of the factory selling expense.

Senator SMOOT. The cost, then, is about double what it was in 1914?

Mr. HUFFMAN. Yes; that is about right.

Senator SMOOT. I suppose it would cost a great deal more than it did in 1914?

Mr. HUFFMAN. Yes.

Senator SMOOT. They cost about \$20 in 1914.

Mr. HUFFMAN. The increase in labor is roughly 120 per cent, and the reductions have only been about 20 per cent, so it is just about double.

We need a minimum tariff of 30 per cent ad valorem based on American valuation because labor is the controlling factor in the cost of family sewing machines, being 62½ per cent of the total cost. In the labor factory we are in direct competition with the German manufacturers. The members of this committee are well aware that the cost of German labor approximates but 12 per cent of the wages paid American workmen in the same trades.

The following figures, taken from the table of wages in United States and foreign countries prepared for the use of the Ways and Means Committee in the House of Representatives, show most forcibly that competition by an unprotected American family sewing-machine industry is absolutely impossible.

	Per 8-hour day.	
	Germany.	United States.
Machinists.....	\$0.49	\$4.80
Cabinet makers.....	.58	4.60
Laborers.....	.34	2.88
Molders.....	.48	4.80
Milling-machine operators.....	.46	4.40

This differential in labor is reflected in recent quotations of standard German sewing machines offered f. o. b. Hamburg boxed and export duty paid at 30 per cent less than the actual cost of labor and material alone in comparable American machines.

Senator SMOOT. To what countries do your exportations go?

Mr. HUFFMAN. Our exportations go largely to South America and the Orient.

Senator SMOOT. I notice that in 1919 there were \$10,327,718; in 1920, \$12,751,268, and the first 10 months of 1921, \$6,209,925.

Mr. HUFFMAN. During the war there were large exports to Europe, but there is no chance to export to Europe now with Germany back on the job.

We ask in the second place for protection because this industry has no protection from patents, labor-saving machinery, nor special sources of raw material.

We ask it in the third place because failure to provide this tariff protection means, without any question, extermination of the independent sewing-machine industry, and if the independent sewing-machine companies are forced to cease the manufacture of sewing machines their plants will have but little value, because their equipment consists of certain special machines adapted to no other operation than the one in which they are used.

It must be understood that I am in no way speaking for the Singer Sewing Machine Co., whose situation is entirely different from that of the manufacturers I represent, in that the Singer Co. has factories in Germany, Scotland, and Russia. We do not know what their attitude is on the tariff subject, but we would assume they favored being on the free list.

Senator SMOOT. Did they put a plant in France, do you know?

Mr. HUFFMAN. I do not know that they have; I have never heard of it, sir.

We would think they would be opposed to a duty for the reason that they could shut down their plants in America and continue to supply the American market with machines made in their German factory and in their Glasgow, Scotland, plant, employing the lower-priced German or Scottish labor, and bringing the machines into this country and selling them in the place of the machine made in American factories by American workmen. As a matter of fact, large quantities of Singer foreign-made machines are being sold on the American market, and at no saving to the American consumer over the price of the American-made machines.

Senator SMOOT. I think about your best argument would be that you want a duty on this so as to compel the machines to be made in America for the American trade in order to keep out American machines made in foreign countries. That is the only thing I can see that gives you any argument at all.

Mr. HUFFMAN. There are 25 German sewing-machine factories all bombarding the merchants of this country with literature, and are ready to sell the machines at prices, as I am prepared to substantiate, of 30 per cent lower than our costs of labor and material.

Senator SMOOT. I would rather have Singer make them in America than in Scotland, Germany, or Russia. That is the only reason I would be in favor of it.

Mr. HUFFMAN. It provides the labor for the American mechanic.

I should like to quote just one brief paragraph of Mr. Fordney's report in reporting out his bill. He says on page 10, in telling how the classifications for tariff were arrived at:

Second, articles produced in industries long established and thoroughly developed wherein advantages by way of labor-saving devices have ceased to exist, where the element of labor is relatively most important and where the difference in labor cost is the controlling factor in competition. This group includes watches, clocks, cutlery, needles, steel wools, ball bearings, and a number of others. An effort has been made here to provide rates of duty which will equalize competitive conditions at home and abroad.

The facts I have given you, gentlemen, prove that the family sewing machine is an article which is produced in an industry long established, and in support of that I would quote the fact that most of our companies have been established for from 30 to 60 years. They are produced in an industry where thoroughly developed advantages by way of labor-saving devices have ceased to exist.

It is a fact now they have all of our little tricks over in Germany for producing machines at a saving of cost.

The element of labor is relatively most important and where the difference in labor cost is the one controlling factor in competition.

Such an article, then, gentlemen, should be protected by duty which will equalize competitive conditions at home and abroad.

We feel it must have been in ignorance of the fact surrounding this industry that sewing machines were classified with cash registers, typewriters, etc., in section 1541 of the free list in the Fordney bill. This is a most illogical classification, and, following Chairman Fordney's own statement that I have read you from his report reporting out the bill, family sewing machines come under a classification of articles which I have just mentioned, and we feel should be included in the classification shown in paragraph 371, in Schedule 3, with a duty of not less than 30 per cent ad valorem, American valuation.

Is there any question, gentlemen?

Senator McCUMBER. Nothing further.

STATEMENT OF LUCIUS N. LITTAUER, REPRESENTING METROPOLITAN SEWING MACHINE CORPORATION, NYACK, N. Y.

Mr. LITTAUER. I happen to be a manufacturer of sewing machines, not the kind that are used for household purposes, but those that are specially adapted and designed for economy in manufacture, machines that sell from \$150 to \$300. These machines have been provided for in past legislation at the rate of 30 per cent ad valorem, up to 1913. The Underwood tariff gave them 20 per cent ad valorem when their value exceeded \$75.

Now, the Fordney bill of the House has put them on the free list. We simply can not continue to manufacture with the German competition, which in the 11 months of the year 1920 brought in 1,273 machines, and in the 11 months of the year 1921 brought in 11,541 machines. Our business will be entirely jeopardized unless a reasonable tariff provision be inserted.

My purpose will be to ask you to amend the House bill 7456 in the free list, paragraph 1541, line 13, by inserting after the words "sewing machines" the words "valued at not exceeding \$75." So that all the ordinary sewing machines will be imported on the free list, but these specially adapted and designed machines that sell at from \$150 to \$350 may have a reasonable protection.

There are only about four concerns manufacturing such machines in the United States. They have done a large business. They are essential to the development of American industry, that through the agency of these specially designed machines the cost of manufacture may be reduced.

I could give you an illustration of how German competition knocks us out. For instance, we make a machine which is designed

for sewing on button stays on an undershirt, which before the war sold for \$150. A similar German machine sold for 500 marks, or \$120. With a duty of 20 per cent in the Underwood bill we could compete. The machine now in the United States costs \$185 on account of the increased cost of labor, and labor is about 80 per cent of the cost. To-day in Germany this machine sells for 3,500 marks, which even at 1 cent for a mark would be about \$35, as against \$120 before the war.

Consequently, unless we are taken off the free list and given some reasonable protection we will be driven out of business.

I thank you very much.

Senator SMOOT. Do you desire to file a brief?

Mr. LITTAUER. Yes; I have a brief here which I should like to file with the committee.

(The brief referred to is as follows:)

Tariff before 1913, 30 per cent ad valorem.

Underwood tariff, 1913, paragraphs 167 and 441: Sewing machines 20 per cent ad valorem when exceeding \$75 in value.

H. R. 7456, Fordney bill, as passed by the House of Representatives, paragraph 1541, places all sewing machines on the free list.

Our interest is in sewing machines selling from \$100 to \$300 per machine, designed to economize operations in the manufacture of garments, in contradistinction with the ordinary plain sewing machine for family use selling at one-half or less than \$100.

Unless tariff discrimination on machines imported at a cost of \$75 or over, as made in the Underwood bill, be given protection at the ad valorem rate of 35 per cent based on American valuation (or 50 per cent based on foreign valuation) this industry, under existing circumstances, will be destroyed.

The chief competitor is Germany, and the result of German depreciated marks shows importations: Eleven months to May, 1920—1,273 machines; 11 months to May, 1921—11,541 machines.

Over 80 per cent of the cost of manufacturing sewing machines is labor, the materials used being of small comparative cost. American wages for machinists are from twelve to eighteen times German wages.

The necessity for protection is clearly illustrated by actual business transactions, as follows:

Our No. 28-GC, machine used for sewing on button stays, was sold before the war for \$150; the similar German machine before the war cost 500 marks, or \$120. The 20 per cent duty of the Underwood bill saved us from a German flood. This machine is to-day sold in the United States at \$185; in Germany at 3,500 marks, which even at 1 cent for a mark would make its cost there but \$35, so that without protection we would be driven completely out of the market, as the above quotation of imports shows.

Our No. 28-OX machine designed to sew the collarette on underwear, was sold before the war at \$150. The German machine sold at 600 marks, the equivalent of \$144, and again the duty gave us protection; but to-day the price in the United States is \$200, while in Germany it sells for 4,500 marks, which at 1 cent per mark would amount to \$45, and if, as the Fordney bill proposes, it be left on the free list, the manufacture of this class of machines will be at an end.

Our No. 190 machine, designed for sewing on shirt fronts with 4 needles, sells to-day in the United States for \$230, while in Germany it is sold at 6,000 marks, which at 1 cent for the mark, will completely end the manufacture of such machines.

Amendment suggested: H. R. 7456, free list, paragraph 1541, line 13: Insert after "sewing machines" "valued at not exceeding \$75," so that paragraph 1541 will read:

"Par. 1541. Cash registers, linotype and all typesetting machines, sewing machines valued at not exceeding \$75."

SEWING MACHINE SHUTTLES.

[Paragraph 1541.]

STATEMENT OF JOHN W. ORIN, VICE PRESIDENT JOHNSON SHUTTLE CO., CHICAGO, ILL.

Mr. ORIN. My name is John W. Orin, of Chicago.

Senator McCUMBER. You are to speak in the place of Mr. Lewis E. Aronson, are you?

Mr. ORIN. No, sir; I represent the Johnson Shuttle Co., vice president of that company, and am speaking for the sewing machines from the fact that we are also included in paragraph 1541 and on the free list.

Senator SMOOR. You want a duty of 30 per cent?

Mr. ORIN. Thirty per cent.

Senator SMOOR. If we have the machines we ought to have the parts in, I suppose?

Mr. ORIN. Yes, sir.

Our company in 1913 and for several years prior to that were making shuttles for American sewing machines that cost us 17 cents apiece. We sold those shuttles to the jobbers at 20 cents, which was a fair margin of profit, since we had no selling expense, and the jobber sold those same shuttles to the retailer at 50 cents apiece, which was also a fair profit, considering he had the boxing and shipping and selling expense. The country hardware store sold these same shuttles to the consumer at \$1 apiece, which is also a fair margin of profit since he has his cost of doing business and a slow turnover.

Senator McCUMBER. And the individual purchaser simply thanked God it did not go through another hand.

Mr. ORIN. Yes. The Underwood bill put the shuttles on the free list. Immediately the German shuttles came to this country laid down at 11 cents apiece.

Our company was employing 35 men at that time, 30 of whom were the heads of families, and American citizens, but the 11-cent shuttle from Germany, against ours that cost us 17 cents to make, forced us to go out of business and we did go out of business, and were out for two years until the war came and stopped the importation of German shuttles.

During that time the price to the retailer was still 50 cents and the price to the consumer was \$1, and the net result of putting the shuttles on the free list was simply that the jobber got the difference between 11 cents and 20 cents added to his profit, the consumer paid exactly the same price and the further difference was that 33 heads of American families employed by our company were put out of employment. So we feel that with sewing machines we want to second everything that Mr. Huffman has said. We believe that sewing machines and their parts, including the repair parts, should have a duty of 30 per cent ad valorem.

Senator McCUMBER. Thank you.

CERIUM.

[Paragraph 1542.]

STATEMENT OF ALEXANDER HARRIS, REPRESENTING NEW PROCESS METALS CORPORATION, NEWARK, N. J.

Mr. HARRIS. I will take only a few moments. My name is Alexander Harris and I appear on behalf of the New Process Metals Corporation of Newark, N. J.

I ask your consideration of the metal known as cerium, which at present is included in the new tariff on the free list, under paragraph 1542, and I want to ask that it be removed from the free list and included with other metals under paragraph 302, and that a suitable rate of duty be applied to it.

I would like to say that cerium formerly was in the old tariff on the free list because of a special condition, because the only use which cerium has, namely, that of making what is called pyrophoric alloys, was in the hands of an Austrian company, which had a branch in New York City, and they were very glad to have it on the free list. They imported their cerium, which is a very difficult article to manufacture, and simply alloyed it into this pyrophoric alloy in New York City; and the consequence was that nobody was interested in the article sufficiently to engage in its manufacture here other than ourselves. As a matter of fact, they very jealously guarded the process of its manufacture abroad.

Cerium metal is a heavy, black metal of little known use to the ordinary man. It is, as a matter of fact, not a single metal; it is a combination of the metals—lanthanum, didymium, and other metals of that nature; and the only use it has is in what we call pyrophoric alloy, which is in the manufacture of these little sticks [exhibiting samples to the committee], which when scraped with a harder substance give sparks.

Senator McCUMBER. What is it used for?

Mr. HARRIS. It is used for only a few industrial applications. Its most common use, and one which the ordinary man in the street knows about, is pocket lighters, the much-abused pocket lighter we have heard so much about. This alloy [illustrating] gives a little spark when rubbed with steel; and it is also in similar devices, such as gas lighters; and in connection with gas lighters it is an important factor in the lighting of blast furnaces. There are no blast or other similar furnaces in this country which are not lighted with a lighter of this kind, consisting of a long piece of bent wire in many cases, which permits the operator to light his fire through a hole, around a corner, or something of that sort.

But the most important use of all is in this mining lamp [exhibiting lamp to the committee]. All mining lamps in dangerous mines are ignited by means of this "sparking metal," as it is called, in the vernacular. I will show you. The principle is to turn a little key, and you get a flash, without taking the chimney off or exposing the lamp or making it flame to ignite any dangerous gases [illustrating].

This use, while a small one, and while little known, is one which is of vital importance to the mining industry of this country.

When I say that, I want to illustrate it by this fact, that during the war, when the supply of cerium alloy had become exhausted because of the impossibility of getting it from Germany and Austria, the mining-lamp manufacturers paid as much as \$100 a pound to get this material, and without it I do not know just what they would do. They would be very seriously handicapped, and for that reason while the article is apparently small and minor in its operation, it is of vital interest throughout the important mining-lamp industry.

Senator JONES. How and where do you get it in this country?

Mr. HARRIS. Cerium metal is made in the electric furnace. It is made from the by-product of the gas mantle industry. The thorium nitrate is extracted from what is called monazite sand, and then the residues are treated. We use about 5 pounds of the residues to obtain 1 pound of the metal, and it is an extremely delicate operation to get it. We have developed the manufacture of cerium or misch metal, as it is called in this country, during the past four or five years at very heavy expense. It has been an extremely difficult problem. The Germans and Austrians were very careful to have no literature on the subject, and it was a question of making it from the ground up, and we feel and we know that without protection it would be impossible to keep that metal industry alive in this country.

Senator JONES. How much of it is made in this country?

Mr. HARRIS. In this country there are consumed approximately 500 to 1,000 pounds per month.

Senator JONES. And what is its price in this country?

Mr. HARRIS. The price in this country is \$7 per pound, but special grades of this material bring about \$15 per pound, and some other grades bring \$18 per pound.

Senator McCUMBER. Does it give a continuous light?

Mr. HARRIS. No, sir; it only gives a light when it is rubbed with a rough surface. This light is produced by a piece of this metal rubbing up against a rough file.

Senator McCUMBER. What I am failing to understand is the practical use of something that will give only a flash of light.

Mr. HARRIS. It lights other substances.

Senator McCUMBER. The lamp itself?

Mr. HARRIS. It has ignited that lamp [illustrating]. When it is ready and when the miner wants to extinguish it he will just pull that down, and when he wants to light he simply raises his wick and pulls that again [illustrating] and he has his light again. That is, so far as the miner's lamp is concerned.

Senator JONES. Is any of the metal coming in now from abroad?

Mr. HARRIS. Yes, sir; a great deal of it is coming in now, and we are finding it practically impossible to compete against the imported article.

Senator JONES. How much is it selling for in this country?

Mr. HARRIS. In this country it is selling at \$7 a pound for the commoner grades, up to \$18 for the special grades.

Senator JONES. That is the price you are getting?

Mr. HARRIS. Yes, sir; that is the price we are getting.

Senator JONES. Do you think that is not enough?

Mr. HARRIS. No, I do not think that is enough. However, I do not think that is the point. The point is that the industry has got

to be kept alive. This cerium, by the way, does not spark by itself; it has to be alloyed with other metals to make it hard. It is a very soft metal, and by itself it cuts as easily as lead. You do not get any spark from it; it is only after a very difficult alloying process that the metal ignites so readily, and it has got to be very carefully handled before you get the spark-producing quality.

Senator JONES. Does it come into this country in a raw state?

Mr. HARRIS. It comes into this country as a finished product,

Senator JONES. From Austria?

Mr. HARRIS. From Austria and from Germany particularly. There is one important point that you raised that I did not want to forget, and that is the material from which this metal is made—namely, thorium residue of the gas-mantle industry; and we are importuned by such people as the Lindsay Light Co. and the Welsbach people and other manufacturers of thorium nitrate to try and develop our use for this metal in order to enable them to find a use and obtain a return for what is at present to a very large extent a waste product for them.

The Welsbach people have for years been throwing this down the Delaware, and they are now turning to us and trying to work with us to find uses for this material in order to enable them to turn that waste product to advantage, which we are doing by means of others articles we are producing in the way of toys and things of that sort in order to increase the consumption.

I would like to say this, that this metal is known in Europe as avermettal, because it was invented first by the Baron Aver von Welsbach, the Austrian baron, and he took a great deal of personal pride in having invented this and in its applications, and they are very jealous of it. We have been told that they are preparing to wipe us out, and things of that sort. They can very readily do that because of a combination of circumstances which they have which we do not have here.

In Europe the consumption is at least 25,000 pounds a month. In France, for example, the consumption is very large because of the poor matches and of the match monopoly of the Government. In Austria and in Germany people are used to lighters and they use a great many of them, and consequently they are able to make their materials very, very much cheaper than we can here with the production we have.

Senator JONES. How much of a tariff do you want on this?

Mr. HARRIS. We feel that with a consumption of 500 pounds in this country to-day that we have to have a substantial protection, otherwise it will be absolutely valueless to us.

The material is produced in an equipment which with this development work cost us over \$200,000, and with a very small demand in this country, owing to the fact that the average American will not fiddle with a lighter, the only way in which the industry can be kept alive, and we are speaking not only for ourselves but for all others who will go into it, we feel that we should have a protection of at least \$2.50 a pound to equalize our cost of production with the cost of production abroad. We want a specific tariff of \$2.50, and ad valorem, as at present provided on the alloys of cerium, of 30 per cent.

Senator JONES. How many concerns in this country are making that?

Mr. HARRIS. There is nobody else in this country who at the moment is making this material, because we ourselves can not begin to sell even 500 pounds a month at the present time because of the fact that the mining business, for example, is very dead, because of stocks on hand that these people had; and the most important factor is because of the great way that a small quantity of this stuff goes. For example, I have here pieces of this sort [exhibiting samples to the committee]. There are 2,500 pieces to 1 pound. In other words, a production of 500 pounds in one month is equivalent to a million pieces.

It is a small industry, but the point I am trying to make is this, that it is vital that we keep it alive for the mining-lamp business. It is vital that we keep it alive in this country because of the fact that it is the only known practical substitute for matches. During the war the armies used only these things, as it was not possible to use a match in a trench, for example, and, furthermore, we have supplied the United States Government with this sparking material for use in tracer shells and bullets. The shower of sparks is produced as the things go through the air.

Senator JONES. This tariff which you are asking for would be sufficient to prevent the importation of the foreign product?

Mr. HARRIS. Well, sir, we feel this way about it: With this equalization between the small demand in this country and with the large consumption abroad, if we have tariff protection we could go on, because we are not afraid to face European competition on the merits of the process.

Senator JONES. What has been your highest price for this material?

Mr. HARRIS. Our own highest price has been—we have gotten for mining-lamp grades—that is, grades used in this lamp—\$22.50 per pound. This is a grade of alloy which must be combined with magnesium to produce the best sparking qualities, and it is a very difficult and very dangerous process; and we could undoubtedly get a great deal more for it for many applications. But we are trying to keep the price down and we are trying, as a matter of fact, to find other uses so we can reduce our prices. With a demand to-day of less than 500 pounds per month we do not begin to make any money; as a matter of fact, we have during the past year lost considerable money. This needs expensive equipment, and, furthermore, it is an article which is very uncertain. You will have, for example, in its manufacture a good run, a good yield, and the next time your cost will be twice as much, and we have those things to contend with.

We feel perfectly sure that the mining-lamp manufacturers, for example, want the business kept alive in this country, because they know there is no possibility of being shut off.

Senator McCUMBER. Are you given no protection in the present bill?

Mr. HARRIS. No, sir; cerium is on the free list.

Senator McCUMBER. But upon the completed product you are given no protection?

Mr. HARRIS. On cerium alloy we are given a protection of 30 per cent ad valorem, which does not begin to cover, especially under present conditions of exchange, the difference between foreign and domestic manufacturing costs.

I want to say this, that possibly my remarks here have made the impression that this article is used in little cigar lighters and little toys and is an unimportant one. But it was important enough for France during the period of the war to absolutely prohibit any imports and to give all kinds of encouragement to the manufacturers of thorium and cerium; and England to-day is doing a similar thing in endeavoring to create an industry there.

The ordinary man, seeing cerium on the free list, will think it is one of a thousand different metals and not entitled to special consideration. But it is the only metal which, in combination with a harder metal, will produce a light-giving spark, and as a substitute for a match as a means of producing ignition, and as such we feel that we should receive protection so as to be able to go ahead in this country; otherwise we can not continue.

I would like to submit a brief.

Senator McCUMBER. It will be printed in the record.

BRIEF OF ALEXANDER HARRIS, REPRESENTING NEW PROCESS METALS CORPORATION, NEWARK, N. J.

Paragraph 1542 of Schedule 15 of Title 2, free list: Strike out word "cerium" (first word of the paragraph).

Paragraph 302 of Schedule 3--Metals and manufactures of: Strike out "ferrocium" in line 21, page 50, and in line 20, page 50, after "ad valorem" add "cerium metal or cerium alloys, \$2.50 per pound and 30 per centum ad valorem."

THE CERIUM INDUSTRY.

Cerium is a soft black heavy metal, produced in the electric furnace. Its only recognized use is as the basis of pyrophoric alloy (designated commercially as sparking metal or flints) for lighting appliances, such as mining lamps, gas and pocket lighters, which alloy is composed of about 70 per cent impure cerium metal, hardened by about 30 per cent of iron, zinc, copper, magnesium, or other metals. The alloy is marketed mainly in small cylindrical-shaped sizes about one-eighth inch diameter by one-eighth inch long, running about 1,500 to 2,000 pieces to the pound. The normal market in this country is only about 500 pounds monthly, the principal countries using same being France, Germany, Austria, Poland, and Russia, and tropical countries where matches are injured by moisture.

The cerium salts used to produce the metal are the residues left after extracting thorium salts (used in the making of gas mantles) from the monazite sands found principally in India and Brazil. The sands are concentrated so that when marketed the Brazilian sands contain 5 to 7 per cent of thorium and the India sands 8 to 10 per cent, the India sands consequently being superior. About 70 per cent of the volume of sands treated for thorium is left as residue. About 5 pounds of such residue carrying about 50 per cent of cerium salts are required for a pound of cerium metal.

Before and during the war the gas mantle and the cerium industry of Europe was controlled by a German-Austrian cartel, of which Von Dernberg (the recognized financial representative of Kaiser Wilhelm) was the largest stockholder. The principal company of the cartel was the Treibacher Chemische Gesellschaft of Treibach, Austria, formed by Auer Von Welsbach, the original inventor of the gas mantle. The cartel had branches or subsidiary companies which they controlled in the principal parts of the world and also controlled the monazite sands of India, through a British company, of which they owned the stock. The Brazilian sands were and still are controlled by a French company that worked in accord with the cartel. The cartel produced probably about 5,000,000 pounds of thorium per year, the greater part of which they marketed

with their gas mantle, doing a business of several millions yearly. The two or three American companies which manufactured thorium were independent of the cartel, but had necessary trade relations on account of their need for getting the monazite sands. Their cost of producing thorium and gas mantles was higher than in Europe, on account of their more limited production and because they had no market for their residues. During the war the company controlling the India sands was taken over and sold by the British Government, as alien-owned property, and is now controlled by a former German who became a British subject. They have a working agreement with the French company and expect to succeed the original cartel by controlling the main deposits of monazite sands.

Before the war the sparking-metal business in this country was supplied by a branch of the Treibacher Co. in New York City, in charge of their agent. The cerium metal was shipped here from Austria and made up into alloy at this branch.

Cerium metal is produced by an intricate electric furnace process. The alloy is produced by an even more difficult process. These processes were kept secret by the cartel. In 1917 a group of leading electrometallurgists here took up the question of producing the metal and the alloy and in 1918 were able to supply all our needs, and resulted in this corporation, representing outlays of more than \$250,000.

The cost of producing cerium metal here per pound is about \$3.50, and the cost of producing the alloy per pound is about \$4.50. The cost abroad, owing to cheaper labor, money, and materials and larger production on account of larger market, is less than half these costs. The agent of the Treibacher Co. stated that their prewar cost was less than \$1 per pound. This statement is probably fairly accurate. At any rate the production costs abroad are so much lower that it will be impossible for this newly-established industry to continue without reasonable tariff protection. Without such protection our own market, as well as other markets, will be supplied only by foreign-made alloy.

We desire to emphasize the great difference between cerium metal as covered by paragraph 1542 of Schedule 15, and the crude minerals or other metals, also included in the free list.

Cerium is not a metal which can be extracted from its ores by a simple smelting process, but is a highly intricate article of manufacture. Cerium is produced from the residues of the gas-mantle industry by a very difficult electrolytic process which we have developed in this country. It can not by any consideration be regarded as a raw or unwrought metal, but is an article of manufacture requiring the greatest electrometallurgical skill to produce it.

Its manufacture provides the only use for the residues of the gas-mantle industry, thereby affording an important help to this industry against foreign competition which it would not otherwise have. The national importance of the gas-mantle industry has been recognized by other countries—England particularly—in regarding the manufacture of thorium-nitrate and other salts as one of the key industries, and protecting same accordingly. We respectfully contend that the preservation of the cerium industry in this country by suitable tariff protection is of national importance because the pyrophoric alloys, of which it is the prime constituent, provide the only substitute for matches or other igniting means, where these latter can not be obtained or used. During the war, by reason of the processes which we developed for the manufacture of cerium and its alloys, we were able to furnish to the armies of the United States and its allies ignition means without which they would have been seriously handicapped—not only for the uses of the soldiers in the trenches, but also in tracer shells and the like. Furthermore, cerium alloys are of vital importance for miners' safety lamps, and mining operations would be seriously handicapped if, in a national emergency, it would be impossible to provide by American manufacture means of ignition for purposes of this kind.

We desire to also call special attention to the difference between ferro-cerium and other ferro-alloys with which it is grouped at the present time in paragraph No. 302 of Schedule 3 of the proposed tariff. Ferrocerium, as distinguished from the other ferro-alloys, is not used as a subsidiary product for the treatment or alloy of steel, but its only use is in lighting appliances as previously stated. What we desire to emphasize is that though known as ferrocerium, it is not a member of the so-called ferro-alloy group, and should be treated absolutely independent of same and under entirely different considerations.

The need for protection of "special purpose metals" and their alloys has already been recognized in the proposed tariff bill, as, for example, in Schedule 3, paragraph 302, molybdenum and other metals; paragraph 375, magnesium and its alloys.

It is for the above reasons that we are asking for the amendment of paragraph 1542, whereby the article of manufacture, "cerium," will be removed from the free list; and for the amendment of paragraph 302 of Schedule 3, whereby "cerium metal" and its alloy will receive thereunder the protection required to approximately equalize its cost of production in this country with that obtaining abroad, so that this small but important industry may here be kept alive.

CHROME ORE.

[Paragraph 1544.]

STATEMENT OF HON. DAN A. SUTHERLAND, DELEGATE IN CONGRESS FROM ALASKA.

Mr. SUTHERLAND. I have been solicited to appear before the committee by Whitney & Lass.

Senator SMOOT. On what?

Mr. SUTHERLAND. For the chrome-ore producers in the Territory of Alaska or, rather, the men who produced chrome ore during the war, when the country required chrome ore, and who have now suspended operations by reason of the low price of the mineral.

I have prepared a brief to submit to the committee, and if you will give me a few minutes I will state the essential features of it.

Senator SMOOT. You may have it printed in full.

Mr. SUTHERLAND. Very well. I will submit it, but there are two or three essential features that I want to bring to your attention.

The principal use of this ore is for the purpose of allowing steel. It is reduced at high temperatures in electric furnaces into a metal called ferrochrome.

Its next greatest use is in chemical manufacturing. The chemical products, bichromate of potash and bichromate of soda, are used for tanning leather. The principal method of tanning in the United States to-day is the "chrome tanning" method. Chrome ore is used in the manufacture of fire brick. It is further used as lining for certain parts of steel furnaces. Chrome ore is also used in the manufacture of dyes and paints, in the form of chemicals—bichromates. A use to which chrome is largely put is in linings and plates of electric stoves. It seems to have a great deal of resistance to heat, and for that reason it is used for that purpose.

The principal consuming points of chrome ore are in the vicinity, of Niagara Falls and Jersey City. Ninety per cent of the consumption of this ore in the United States takes place in the States of New York, New Jersey, Pennsylvania, and Maryland.

Chrome ore is imported from New Caledonia, a French possession in the antipodes, that being the largest producer of chrome ore.

Rhodesia, South Africa, is the next largest producer.

Cuba, Guatemala, Brazil, Turkey (Asia Minor), Greece, Austro-Hungary, Russia, India, Australia, Canada, and Japan have exported relatively small quantities of this ore to the United States.

The annual production in the United States prior to the war was 591 tons, a negligible quantity. During the war, under the stimulus given by the request of the Government that this mineral,

be sought for, we produced 83,430 tons annually during those years. Since the close of the war we have produced 3,900 tons annually, again a negligible quantity.

I call your attention to the importation table. Prior to the war the foreign importation was 80,736 tons a year. During the war it was 100,142 tons per year. Since the war the importations have been 61,404 tons per year.

The significant feature of this is that the foreign importations are 60 per cent of what they were during the war period, while our production is simply negligible, 4.5 of the amount produced during the war period.

Senator SMOOT. What changes do you want, Mr. Sutherland?

Mr. SUTHERLAND. I am asking for a specific duty of 60 cents per unit. A unit means 1 per cent of the chrome oxide in a ton of ore; that is, 1 per cent would be equal to 20 pounds of chrome oxide.

I am prepared now to answer any questions that do not involve metallurgy or chemistry.

Chrome ore is produced in the United States in Alaska, California, Colorado, Oregon, Maryland, Pennsylvania, and Wyoming. The largest amounts have been produced in California and Oregon.

I wish to call your attention to the fact that the production in the United States was under the stimulation of war requirements. Since the close of the war American production has declined to a negligible quantity, while foreign importation is 60 per cent of war-time importation. In Alaska we find some of the very largest and some very rich deposits of chrome ore, though they are not quite the richest. Those deposits were operated during the war, when the Government called for these metals for alloying steel. Immediately at the close of the war they suspended production. To-day this particular concern that has asked me to appear in its interest has about 500 tons on the little wharf that they built and from which they shipped it on the steamers. It has remained lying there ever since the close of the war period.

Senator DILLINGHAM. That is located where?

Mr. SUTHERLAND. It is near Port Chatham, at the entrance to Cooks Inlet.

They invested in machinery in a small way, purchasing such things as donkey boilers, rails, steam hoists, and so on; and that material is left there now useless. With this ore lying on the dock, it is only a question of a few years when the piles supporting it will give way, and the ore will be precipitated into the bay, and that will be the end of chrome mining in Alaska, unless some encouragement is given in the way of a duty.

The principal necessity is for the development of the home industry and a stimulation of mining in the United States. The mining industry generally is on the decline; that is, in many of the metals. Gold and silver mining is passing, and it will be only a short time before gold will be obtained only as a by-metal of refractory ores. The lodes have been worked beyond a profitable limit in the United States. I am speaking now of gold and silver, but particularly gold.

We speak of coming back to normal conditions and the effect that a return to normal conditions will have with respect to lowering the cost

of materials and the cost of production of powder, food supplies, and so on; but that is not going to stimulate the gold-mining industry to any great degree. I do not think it will stimulate the silver-mining industry in any degree.

Those industries have never been aided in any way by the Government, except in the case of the Pittman purchasing act for silver. The gold-mining industry is passing out, and the placers and lodes have become so low grade that a return to normal conditions will not stimulate the industry greatly. It may be that something like the McFadden bill would stimulate it.

My interest lies with the miner in Alaska. Considering the chrome deposits we have there, if some aid were given by the Government, we would be in a position to employ the men out there.

Senator LA FOLLETTE. How extensive are the deposits out there?

Mr. SUTHERLAND. These are large deposits. They were able to get 2,000 tons during the war period.

Senator SMOOT. How many miles are these deposits from tidewater?

Mr. SUTHERLAND. This is very close to tidewater. The economic conditions are excellent up there.

By the way, manganese, I think, is in about the same class with chrome.

During the war period men were not seeking for mines. They were looking for surface deposits. They found large deposits of chrome. I think Alaska can supply the United States with chrome. But in the case of manganese these gentlemen do not know whether we have deposits or not. They have not been sought to any great extent. The prospector never seeks for valueless minerals. But the minute you place a value on a mineral, he seeks for it. I think that applies to manganese. If we had a duty on manganese large enough to stimulate search for that mineral, it is more than probable we would find deposits of it in the United States under the ground. It is not going to be found on the surface to any extent, any more than any other minerals.

American chrome ore is produced by American labor. The imported chrome ore is produced by the convict labor of New Caledonia and the Kaffir labor of South Africa.

Senator SUTHERLAND. Are these manganese ores mined underground or on the surface?

Mr. SUTHERLAND. I am not acquainted with that. The point I desire to make is, why should we use imported chrome in times of peace and in war time urge our people to develop chrome mines as an emergency industry. During the war we asked Americans to invest their capital, and we asked labor to take hold of the proposition and produce ore. Then, immediately when the crisis is ended, they have to suspend operations, and their investment is lost; their machinery goes to waste, and the foreign importer gets the benefit of our market entirely.

Senator DILLINGHAM. Do you claim that these natural deposits are large enough to supply this country?

Mr. SUTHERLAND. I think so. In fact, there is one mine in Alaska that can produce 1,000 tons a month continuously. They say they have 200,000 tons in sight. That is an estimate from surface measurements.

Senator SMOOT. You want \$60 a ton protection, do you not?

Mr. SUTHERLAND. Sixty cents per unit.

Senator SMOOT. That would be \$60 per ton.

Mr. SUTHERLAND. No; that would be \$30 a ton, provided it is 50 per cent oxide.

Senator SMOOT. Yes; if it is 50 per cent. Then it would be half.

Mr. SUTHERLAND. Yes; it would be \$30. We speak of 40 per cent ore. That would be \$24.

Senator SMOOT. I did not mean the ores. I mean the content, which would be equal to \$60.

Mr. SUTHERLAND. A specific duty would be placed on the ton of imported ore.

Senator SMOOT. I see what you mean.

Mr. SUTHERLAND. It means a specific duty. It means that on 40 per cent oxide the duty would be \$24 a ton on the ore.

Senator SMOOT. Well, that is my statement; my statement is exactly the same.

Mr. SUTHERLAND. Perhaps so, but I did not quite get it.

Let me say this in conclusion. The quantity of chrome used in manufacturing is so small that the tariff asked could not possibly affect the price to the consumer of the manufactured product. It would not increase the cost of a ton of steel, nor would the cost of a pair of shoes be increased 1 cent by it.

The essential point is that the amount used in manufacturing is so small that this duty that would be an aid to mining in the West would mean nothing to the consuming American public, and would mean virtually nothing to the manufacturer.

I do not know that these samples will interest you. This [indicating] comes from mines in Pennsylvania. This is the ore, and this is the surrounding rock containing crystals of chrome, and this is the placer article where the chrome sands have eroded. The material has been shoveled into the sluice boxes and has come out in that form. As I understand it, that from the sluice boxes would be about 45 per cent, but, taking out the magnetic element, it brings it to about 52 or 53 per cent of oxide of chrome.

Senator McLEAN. Is it used as a substitute for manganese?

Mr. SUTHERLAND. No, sir.

Senator McLEAN. What particular quality does it add to steel?

Mr. SUTHERLAND. My understanding is that it hardens the steel. Its particular quality is its resistance to heat. I have always assumed it was used for that.

I might say in that connection that we produce antimony in Alaska. I know that it is used to make steel brittle.

The House bill would place molybdenum, manganese, and cinnabar on the dutiable list and place chrome ore on the free list. Although the minerals are not of the same nature, still they belong in the same class so far as production in the United States goes.

We have cinnabar mines in Alaska that could easily supply the United States, but the economic conditions are such that you can not manufacture and compete with the Italian product—quicksilver or mercury.

Senator SMOOT. We thank you, Mr. Sutherland.

BRIEF OF HON. DAN A. SUTHERLAND, DELEGATE IN CONGRESS FROM ALASKA.

Chrome ore, sometimes called chromite, is a chromium-bearing mineral, and is found mainly in serpentine formation.

Its uses.—The principal use for this ore is for the purpose of alloying steel. It is reduced at high temperatures in electric furnaces into a metal called ferrochrome. Its next greatest use is in chemical manufacturing.

The chemical products, bichromate of potash and bichromate of soda, are used for tanning leather. The principal method of tanning in the United States to-day is the "chrome tanning" method. Chrome ore is used in the manufacture of fire brick. It is further used as lining for certain parts of steel furnaces. Chrome ore is also used in the manufacture of dyes and paints in the form of chemicals—bichromates.

Where used.—The principal consuming points of chrome ore are in the vicinities of Niagara Falls and Jersey City.

Ninety per cent of the consumption of this ore in the United States takes place in the States of New York, New Jersey, Pennsylvania, and Maryland.

Where imported from.—New Caledonia, a French possession in the antipodes, is the largest producer of chrome ore.

Rhodesia, South Africa, is the next largest producer.

Cuba, Guatemala, Brazil, Turkey (Asia Minor), Greece, Austria-Hungary, Russia, India, Australia, Canada, and Japan have exported relatively small quantities of this ore to the United States.

Annual production in United States.

Prewar.....	591
War period.....	82,430
Postwar.....	3,900

Annual foreign importations.

Prewar.....	80,736
War period.....	100,142
Postwar.....	61,404

Where produced in United States.—Alaska, California, Colorado, Oregon, Maryland, Pennsylvania, and Wyoming.

The largest amounts have been produced in California and Oregon. Observation of the preceding tabulated production will call attention to the fact that the production in the United States was under the stimulation of war requirements. Since the close of the war American production has declined to a negligible quantity, while foreign importation is 60 per cent of war-time importation.

ALASKAN CHROME ORE.

Some of the richest chrome deposits in the world are found in Alaska. During the war one mine shipped 2,000 tons to the States. This mine was compelled to close down at the end of the war, as it could not compete with the foreign product.

WHY A TARIFF.

The necessity for developing home industry.

To stimulate mining in the United States.

The mining industry, particularly the precious metals branch, is rapidly declining in the United States.

American chrome ore is produced by American labor. The imported chrome ore is produced by the convict labor of New Caledonia and the Kaffir labor of South Africa.

—Why should we use imported chrome in times of peace and in war time urge our people to develop chrome mines as an emergency industry?

During the war American capital was invested in American chrome mines. These mines are now idle and the invested capital is lost unless Congress encourages the industry.

The quantity of chrome used in manufacturing is so small that the tariff asked for could not possibly affect the price to the consumer of the manufactured product. It could not increase the price of a ton of steel, nor would the cost of a pair of shoes be increased 1 cent thereby.

We ask for a tariff of 60 cents per unit of chrome, or \$24 per ton on ore that comes 40 per cent chrome, or \$30 per ton on ore that comes 50 per cent chrome.

There is no commodity more deserving of a tariff than chrome ore. The uses for this metal are increasing. An American industry can be stimulated and developed for the employment of American labor and American capital.

GUARANA (BRAZILIAN COCOA).

[Paragraph 1548.]

STATEMENT OF A. LAW VOGÉ, CHEMICAL ENGINEER, NEW YORK CITY.

Mr. VOGÉ. Mr. Chairman and gentlemen of the Finance Committee, I am down erroneously as representing the Roessler & Hasslacher Chemical Co. I am associated with that company, but it has no interest whatever in this material.

Senator McCUMBER. Are you going to speak of cocoa?

Mr. VOGÉ. I am going to speak of an article which the tariff has never considered and which I believe belongs in the paragraph with cocoa, cocoa beans, or coffee, because it is very similar to those articles in its properties. It is known in South America as Brazilian cocoa, or guarana, and is consumed as a morning drink, the same as cocoa or coffee, by a large section of the Brazilian people. I, therefore, wish to talk about paragraph 1548.

Senator McCUMBER. Is that article being consumed in the United States in any quantity at the present time?

Mr. VOGÉ. It has never been imported into the United States before I imported some myself for experimental purposes.

Senator SMOOT. You do not want it in paragraph 1458 then. Are you asking for a duty on it?

Mr. VOGÉ. No, sir; I want it in the free list.

Senator SMOOT. You want it put in the free list?

Mr. VOGÉ. Yes, sir.

Senator McCUMBER. You want it continued where it is put?

Mr. VOGÉ. It has not been mentioned in the tariff heretofore.

Senator McCUMBER. Does it appear in the tariff at present?

Mr. VOGÉ. No, sir. The little I brought in I brought in in ground shape, as I will explain, to escape the export duty in Brazil, and that has been appraised as a drug.

Senator WATSON. What do you call it?

Mr. VOGÉ. It is called Brazilian cocoa or guarana.

Senator SMOOT. You pay a duty on it now if ground under the basket clause of manufactured goods not otherwise described?

Mr. VOGÉ. Yes, sir.

Senator McCUMBER. If it comes in the form of a bean you pay no duty on it?

Mr. VOGÉ. I pay no duty into America at present, but I do pay an export duty from Brazil, as I will explain here, and a very severe one.

Senator SMOOT. We can not help that.

Mr. VOGÉ. No, sir; I understand that, but if I may have your permission to make a few statements—

Senator McCUMBER. Yes.

Senator SMOOT. So that I may get my record, how do you want paragraph 1548 to read?

Mr. VOGÉ. I want paragraph 1548 to read "cocoa or cocoa beans, including Brazilian cocoa, whole or ground."

Senator SMOOT. Ground would be quite different.

Mr. VOGÉ. Well, then, crudely ground.

Senator SMOOR. If you put it in that way, it would be ground cocoa, and so we can not do that. If you want the beans to come in free, we will put that in here.

Mr. VOGEL. That is what I want chiefly to come in free, but that does not solve all my difficulty.

Senator SMOOR. I just wanted to see what you wanted in here.

Mr. VOGEL. As United States Military Librarian at the Sorbonne in Paris, I became intimately acquainted with the literature concerning products of a South American plant, the fruit of which, known as the Brazilian cocoa bean, I believe to have valuable nutritive and tonic properties.

Brazilian cocoa beans do not appear in the United States tariff law or in the proposed act. Ordinary cocoa beans, which were not originally native to Brazil at all, are being imported from Brazil free of duty, but these beans of the original Brazilian cocoa, when I have imported them ground, have been looked up under the name Brazilian cocoa, or guarana, which is also a paste made by the natives from this same plant and exported in minute and decreasing quantities under the name of guarana. So what I have been importing for testing and development of this possible infant industry has been appraised and taxed by similitude as though it were ground guarana, a crude drug material in the ground condition. Guarana was formerly bought for the purpose of extracting caffeine for medicinal use, just as caffeine is now extracted from coffee. As a matter of fact, the material I am importing is not used or useful as a source of drugs any more particularly than coffee, cocoa, or tea. The paste guarana as imported is admitted duty free. I would be glad to import my beans in the unground condition duty free, but the Brazilian State taxes penalize the export of the whole bean about 40 per cent ad valorem.

I have spent a number of months in South America thoroughly investigating the agricultural conditions, production, market, possible development, and export conditions of this material, and have made or caused to be made exhaustive laboratory investigations of it in this country. While at present the total production is almost negligible, it is capable of rapid increase by proper development in Brazil. The restricted climatic conditions under which this plant grows are nowhere duplicated in this country. The few Brazilian States where it can be grown absolutely prohibit the transport of plants or even of live seeds out of the State. To prevent the possible transplanting of the industry to other tropical countries, they have gone so far as to place a heavy duty even on the dead, dry, and parched fruit unless it is ground and the seed broken up entirely. Ninety per cent of the present small production is consumed domestically within the country as a daily foodstuff, not as a drug, either chewed whole or ground to powder and washed down with water.

Some fifteen or twenty thousand dollars have been invested in our investigation. New methods of preparation, transport, and preservation have been devised and the foundation has been laid for a considerable investment of American capital in Brazil. As a consequence, I believe a valuable substitute for cocoa and possibly a substantially tannin-free substitute for coffee may be developed, provided relief can be had from a peculiar imposition of taxes which has accidentally arisen.

I would, therefore, ask that, like coffee, tea, or cocoa, the fruit of the *Paullinia cupana*, known as Brazilian cocoa beans, whether whole or roughly ground, be admitted free of duty.

To summarize:

Brazilian cocoa beans whole or ground have had no specific classification.

By fancied similitude to an infinitesimal importation of guarana, ground beans have been appraised as ground drugs.

Therefore, to export from Brazil without 40 per cent ad valorem taxes the beans must be ground, but to import them into the United States free of duty they must be whole.

Senator McCUMBER. You simply want to introduce a new substitute for coffee?

Mr. VOGEL. Exactly, sir.

Senator McCUMBER. And do not want to work in another Coca-Cola sort of affair?

Mr. VOGEL. No, sir; it is nothing, sir, but a substitute for coffee, or for cocoa, especially.

Senator McCUMBER. All right.

LONG-STAPLE COTTON.

[Paragraph 1557.]

STATEMENT OF DWIGHT B. HEARD, PHOENIX, ARIZ., PRESIDENT PIMA COTTON GROWERS' ASSOCIATION AND MEMBER OF EXECUTIVE COMMITTEE OF THE WORLD'S COTTON CONFERENCE.

Senator ASHURST. Mr. Chairman and gentlemen of the committee, Gov. Campbell, of Arizona, and Hon. Dwight B. Heard, president of the Pima Long Staple Cotton Growers' Cooperative Marketing Association of Arizona, and also a member of the executive committee of the World's Cotton Conference, will present the arguments. The Arizona delegation will not trespass upon the time of your committee. You have been patient. Senator Cameron, who is unavoidably absent on business of the Senate, is interested no less than am I, and he has made his views on this amendment known to the Senate and to Senators, and I have authority to say he joins heartily with Gov. Campbell and with Mr. Heard and Representative Hayden in asking your kind indulgence. The governor and Mr. Heard will arrange their own order of speaking.

Mr. Heard has prepared, the governor cooperating, a statement, which I will ask your indulgence and attention while it is read, because it is a succinct, illuminating, and a penetrating document. Every member of the Finance Committee should hear it. It has been carefully gone over; every word has been weighed.

The CHAIRMAN. Mr. Heard, state for the information of the committee your full name.

Mr. HEARD. Dwight B. Heard.

The CHAIRMAN. And your residence and occupation.

Mr. HEARD. My residence is Phoenix, Ariz. I am principally engaged in farming. I also am the publisher of the Arizona Republican.

The CHAIRMAN. Will you go on now and state your views on this schedule?

Mr. HEARD. As the long-staple cotton on which protection is sought is primarily the American-Egyptian or Pima cotton, produced in the irrigated valleys of the Southwest, an industry with which I am personally familiar, my remarks will be confined to this class of cotton, the bulk of which exceeds 1½ inches in staple length and comes in direct competition with the well-known Sakellaridis, or Sakel cotton, produced almost entirely in the delta of the Nile, in Egypt.

Since 1906 I have been in close personal touch with the group of highly trained, scientific men in the Department of Agriculture who have so greatly assisted in the development of this new agricultural industry. For the past six years I have been growing Pima cotton near Phoenix, Ariz., and the facts which I shall present are either matters of my personal knowledge or the result of information obtained through various Government bureaus in Washington in touch with this industry.

Last year there were produced in the United States in the irrigated valleys of the Southwest 103,000 bales of American-Egyptian or Pima cotton. The import of Sakel cotton from Alexandria, Egypt, into the United States in the year closing August 1, 1920, was approximately 340,000 bales. The average import of this cotton for the four years previous was 120,000.

It is conservatively estimated that the demand of the American manufacturers for this type of cotton, which is used principally in manufacturing cord-tire fabrics, airplane and balloon cloth, mercerized and fine cotton goods, such as dimities, lawns, voiles, fine shirtings, handkerchiefs, and threads, will average about 250,000 bales annually.

The cotton producers of the Southwest are asking for at least sufficient protection to equalize the difference in labor and transportation costs between the wages paid the fellaheen, or peasant laborers, of Egypt, of from 24 to 36 cents per day, and the daily wage paid agricultural labor in the Southwest of from \$2 to \$2.50 per day. The transportation cost from Alexandria, Egypt, to New England manufacturing points is \$9.90 less per bale than the lowest rate from Phoenix, Ariz., in the center of the American-Egyptian district, to the same manufacturing points. The difference in labor cost is most vital, as approximately 60 per cent of the cost of producing this specialized long-staple cotton is for labor.

In considering the need for protection for this developing American industry, encouraged by five administrations and assisted by appropriations from every Congress since 1904, four factors should be considered.

First. Is the production within the United States of long-staple cotton of superior quality in sections proven ideal for its growth an essential national industry?

Second. Will the failure to protect long-staple cotton by reasonable tariff sufficient to equalize the difference between the cost of the present labor of Egypt and the American agricultural labor and the difference in transportation costs destroy the production of American-Egyptian cotton in the United States?

Third. Is it not probable that with the protection asked for we can produce in the United States within a few years, in regions proven thoroughly suited to its growth, all the long-staple cotton of this type needed by American manufacturers?

Fourth. If this industry, developed with the assistance of the Department of Agriculture, is allowed to perish through lack of the reasonable tariff protection asked for, will not our American manufacturers, needing this class of cotton, eventually pay such a price for it as foreign nations controlling production of it may dictate?

I shall endeavor to confine my remarks directly to those four points: First, is the production of this type of cotton an essential national industry? I shall touch but briefly upon the remarkable development of this important new agricultural industry. My brief filed with the Ways and Means Committee of the House on April 25, and which I will file with your committee as Exhibit A, covers quite fully the very valuable work carried on by the Government since 1902 in developing the now famous Pima cotton. This work covered scientific studies in Egypt, the establishment of plant-breeding gardens in Arizona in 1906, the establishment of thorough Government standards now recognized throughout the world, an organized system of Government inspection of standardized selected seed, and a study of the most practical uses of this cotton by American manufacturers; and, finally, owing to its extreme strength, combined with lightness, its successful use, after the most exacting and careful tests by the Government for our Air Service, both in airplane wings and balloon cloth.

During the war as chairman of the Arizona council for defense I cooperated with the United States Government in arranging for supplies of Pima cotton so urgently needed for airplane and balloon cloth; was present at the New Bedford mill at the time this cotton was being manufactured into airplane cloth, and obtained the results of the laboratory tests then made, which showed the exceptional value of this cotton when great strength combined with lightness was required. In Exhibit B will be found a statement showing the results not only of these tests—I will ask that my chart B be held up in position for the members of the committee to see [the chart referred to was thereupon exhibited to the committee, and the same is filed for reference—but of other laboratory tests conducted by tire manufactures and by the United States Bureau of Standards and the Bureau of Markets, all of which demonstrate the superlative value of this cotton.

Senator WALSH. Where were these tests made?

Mr. HEARD. They were made by the United States Bureau of Standards and by the War Department. There is another series of tests coming on, and also by the Goodyear Rubber Co. on their own account.

While Pima cotton has shown up most satisfactorily in all these tests, we are now working to improve methods of cooperation specifically in marketing, and through more careful land selection, improved methods of cultivation, cleaner picking, and better ginning and bailing to still further improve the standard quality of this cotton.

It is interesting to note that the Government in developing this long-staple industry in the Southwest was but reviving an ancient industry, practiced by the prehistoric people in the southwestern valleys, and I now have in my possession seed cotton and finely woven cotton cloth made by the prehistoric people, which I obtained while exploring a cliff dwelling in Arizona.

Owing to the encouragement of the Government, aided by the conditions created during the war, and the greatly increased demand by cord-tire manufacturers the production of Pima cotton in the Southwest has grown from 3,331 bales in 1916 to a production last year of 103,000 bales. The wisdom of the Government in encouraging this new southwestern industry has been shown by the fact that during the same period the inroads of the boll weevil have reduced the production of the famous sea-island cotton, almost identical with Pima in length of fiber, from 117,559 bales in 1916 to a production last year of but 1,725.

Pima cotton is to-day the only extremely long-staple cotton produced in important commercial quantities in the United States. I will now ask to be held up in position to be seen by the committee Exhibit C, showing the production of American-Egyptian and sea-island cotton, from 1916-1920, inclusive, and the import of Sakel-Egyptian cotton, as convincing evidence of the need of maintaining the production of American-Egyptian as a national industry.

That is very significant. On one side there is the growth of Pima cotton from 3,300 bales up to 103,000 last year. On the other side is shown sea-island cotton, which was the cotton raised in the Southeastern States, which shrank from 117,000 to 1,725. It also shows the imports of Egyptian cotton. All of these charts will be filed with you, accompanying my statement.

Senator WALSH, I suppose the small importation during the years 1917 and 1918 is due to the war?

Mr. HEARD. It was due to submarines, sir. It is an unquestioned fact that the fine spinners of the world now recognize Pima cotton, carefully graded and stapled, a type the equal, and probably the superior, to any cotton grown in quantity in the world.

Owing to the difficulty experienced during the war by the American manufacturers of cotton fabrics in obtaining Egyptian cotton, the use of American-Egyptian cotton, especially by the tire manufacturers, largely increased, and there was also a steadily increasing use by fine spinners, when assured they could obtain this exceptionally long and uniformly running cotton in quantities; and an opportunity was given to prove the exceptional value of this cotton, not only in airplane and balloon cloth but in other fine fabrics. I now show you book of samples, Exhibit D, which illustrates the fine American cloths now being made from Pima cotton. I should like to pass that around among the Senators, as it shows one class of fabrics made from Pima cotton.

(The book of sample fabrics was thereupon passed to and examined by the committee.)

Senator WALSH. Are the New Bedford mills now using your Pima cotton?

Mr. HEARD. Yes, sir; they are.

At the outbreak of the war the farmers of my district, in the Salt River Valley, were nearly ready to abandon the production of this

long-staple cotton, because the low price received, below actual cost of production, was entirely out of line with its real value. The prices brought about by the war, however, encouraged the farmers to continue production, with the result that a really valuable national industry was established. In other words, the American-Egyptian long-staple industry was practically saved by the submarine. I now ask to be held up for your examination Exhibit E, showing production and price of American-Egyptian in the South River Valley, Ariz., for a period of six years, which clearly illustrates the foregoing statement.

(Exhibit E was thereupon shown to the committee.)

Mr. HEARD. You see there the acreage planted in 1915, and how it gradually grows, the bales produced each year in our valley and the price. In 1915 we were practically ready to give up this remarkable industry because of the low price. Then came on a shortening of the imports of Sakel cotton and a proportionate increase in the price of American-grown cotton. Then, last year, when the Egyptian cotton began to flow in onto us, the price dropped to 28 cents. I think this is quite an interesting plot, and it will, along with the others, be filed with you.

Reference has been made to the various uses of this cotton; the bulk of it goes into what is known as cord-tire fabrics, made from 22 counts yarn. Another use is fine gingham, made from No. 30-50 yarns, such as shown in Exhibit D, fine shirtings made from Pima cotton of No. 60 and No. 80 yarns, while finer goods, such as voiles, dimities, stockings, mercerized goods, and fine fabrics mixed with silk, are made from No. 110 to No. 130 yarns.

A particular factor, to which attention should be given, is that Pima cotton is particularly well adapted to the various manufacturing processes, such as mercerizing, dyeing, and bleaching.

For use in all these fabrics American-Egyptian cotton has been found to be particularly unexcelled, and for use in airplane cloth, made of No. 80 yarn, it has been found nearly as satisfactory as the best of Irish linen. I got that information from a major in the Air Service over at the War Department. It is an interesting fact that cord-tire fabric made from uncombed American-Egyptian cotton shows a greater strength than fabric made from combed Sackel, an exceedingly fundamental point to the American tire manufacturer. The elasticity is also unexcelled. In the past a comparatively small proportion of fine cotton fabrics, mercerized or otherwise, has been made in the United States. The production of this class of goods is largely controlled by Great Britain, but there is every reason to believe that, with the continuance in America of the production of American-Egyptian cotton, our own spinners will largely increase their manufacture of fine goods, thus affording a stabilized demand for American-Egyptian, even should the demand for use in automobile tires decrease.

Egypt produces annually about 700,000 bales of Sakel cotton, sold to the manufacturers of Europe and America, and principally woven into tire fabrics. The American manufacturers of tires are amply protected in this tariff bill by a duty on imported tires and tire fabrics, including cords; and it seems but simple justice, in view of the foregoing facts, that the American cotton producer should be afforded equal protection. It is also evident that we are justified in the state-

ment that the production of American-Egyptian cotton is an essential national industry.

The next question that confronts us is, Will the continued importation of Egyptian long-staple cotton produced by the peasant labor of Egypt at a wage of less than 40 cents per day destroy the American industry, produced by American labor with American standards of wages and living, unless reasonable tariff protection is afforded?

In a statement presented to the Ways and Means Committee of the House, April 25, I showed that from the best information available the fellaheen laborer of Egypt was receiving 40 cents per day for 12 hours' work. I recently attended the World's Cotton Conference in Liverpool and Manchester, where nearly 1,000 delegates were present from over 20 cotton-producing countries, and had many conferences there with producers of Egyptian cotton. Their methods of cultivation are very dissimilar to ours, and it was difficult to obtain detailed figures of their production costs on the basis on which we keep our figures; but there seemed to be a general agreement that their production costs on this year's Sakel cotton would be approximately 21 cents per pound, based on their average production of about 300 pounds per acre.

This production cost was based on the payment to labor of from 25 cents to 40 cents per day in our money. The standards of living for the Egyptian laborers could not for a moment be considered in America, and it is manifest that our basic wage for labor in the Southwest is at least five times that paid in Egypt. In the American production cost 60 per cent is paid for labor.

Senator LA FOLLETTE. Have you any data on the efficiency of that labor?

Mr. HEARD. I discussed that with those men. I have had the good fortune to have been in Egypt once myself. I have seen these fellaheen Egyptian laborers at work, and it seems to me they are exceptionally efficient laborers. Of course, our labor in the Southwest in the fields is mostly Mexican. The Egyptian labor is probably about as efficient as our Mexican labor. We have the advantage of certain mechanical methods which they do not employ, which I am going to refer to in a moment.

I will now show to you Exhibit F, which is a statement very carefully prepared from the records of reliable producers, showing in detail the cost of production this season in the Southwest, based on a yield on one-half bale per acre and a basic wage of \$2 per day for agricultural labor, showing a cost to the producer of American-Egyptian Pima long-staple cotton, delivered at New England manufacturing points, of 34.83 cents per pound.

(Exhibit F was thereupon shown to the committee.)

Mr. HEARD. I have that in detail, if you would like to have it presented, showing how those aggregates are reached.

The CHAIRMAN. We do not want to cumber up the record too much.

Mr. HEARD. If any Senator would like it, I will give the exact detail, showing how these aggregates are arrived at.

Senator SYMONS. Would you object to telling the committee something with reference to the instruments employed, and the process of culture in Egypt as compared with that in the United States?

Mr. HEARD. I would say, Senator, that in Egypt it is almost all hand labor with the hoe. They do not use mechanical cultivators as we do; they use very few tractors, and they have more abundance of labor available, and while I have made these figures 25 to 40 cents, a good deal of that labor is in the fields at much less than that figure. I have been exceedingly fair in my statement of costs. I happen to know that they use fairly grown children at 15 cents a day.

Senator SIMMONS. But they do not use labor-saving implements?

Mr. HEARD. Not so many, but they are now beginning to use them on the larger farms.

Senator SIMMONS. What kind of a plow do they use?

Mr. HEARD. When I was in Egypt, which was a good many years ago, they were using a wooden plow, which was sometimes drawn by a camel on one side and on the other by a buffalo.

Senator SIMMONS. A fast walking camel and fast walking buffalo?

Mr. HEARD. It was a very primitive affair—the short and long of it. I talked with one grower this summer, and he told me on his farm he was now using very largely tractor cultivators and modern machinery.

Senator SIMMONS. Is the vegetable growth of that soil there such as to require very much hoeing?

Mr. HEARD. It requires a great deal, the same as in our country. One of our biggest expenses is hoeing.

Senator SIMMONS. In your country?

Mr. HEARD. Yes. I have on my own ranch fields where I have had to fight weeds that cost me \$32 per season per acre for hoeing alone. When you get a noxious grass in the fields, like Johnson grass, it is a terrible fight you have on your hands.

Senator SIMMONS. You do not have many fields sown in Johnson-grass? I thought we had it known as a dangerous grass.

Mr. HEARD. It is a dangerous grass, and we fight it all the time, but it sometimes gets in our fields.

Senator SIMMONS. That is the exception rather than the rule.

Mr. HEARD. We try to make it the exception.

Senator WATSON. The chart says \$34.98 cents per hundred from the Salt River Valley. What does it cost to lay down a ton of Egyptian cotton there, Mr. Heard?

Mr. HEARD. I will come to that in just a moment, if you do not mind.

I would like to take the time to show the details of that.

Senator SIMMONS. Before you leave that, you said that most of the cotton grown in your country was cultivated with Mexican labor?

Mr. HEARD. Yes, sir.

Senator SIMMONS. Do you mean Mexicans who came over to work and who go back, or do you mean Mexicans who permanently reside in Arizona?

Mr. HEARD. We have two classes. We have regular Mexicans who have lived in Arizona, and then during the last three or four years, through the development of the industry, there have been Mexicans brought in for seasonal labor from Mexico, and then taken back at the end of the season. All of which we have paid for and paid the transportation back. I think to save the time of the committee I will file the detailed statement with the committee and proceed.

The production cost of Sakel cotton, almost identical with Pima, shipped from Alexandria, Egypt, and laid down at New England points, for this season's production, is estimated at 21 $\frac{1}{10}$ cents per pound.

In a statement prepared last fall by Mr. Schofield of the United States Department of Agriculture, on the production cost of American-Egyptian or Pima cotton in the Southwest, he shows an annual production cost for the season of 1920 of 52 $\frac{1}{10}$ cents. Sakel cotton from Egypt's crop of last year was freely offered during the past summer laid down in New Bedford and other New England points for 26 cents, which explains the reason for the recent paralysis of our American long-staple industry. While production costs in the Southwest have greatly decreased since Mr. Schofield's estimate was made, it is manifest that, even at the present low scale of wages, which is less than what could be justly considered normal, we can not produce our cotton and lay it down in New England manufacturing districts at a less price than 35 cents.

Senator McCUMBER. In figuring the cost of production around Phoenix, we will say, have you taken into consideration the value of your land and allowed anything for interest on the land investment?

Mr. HEARD. We have allowed 8 per cent on \$250 value, Senator.

Senator McCUMBER. And a great deal of the land will cost more than that, will it not?

Mr. HEARD. Much land during the past two years has sold for much higher figures than that. But we have tried in every way to be conservative.

Senator SMOOT. It will not sell for more than that now?

Mr. HEARD. At present we have a depression, and agricultural lands are selling at \$200. But that is an abnormally low price.

Senator McCUMBER. Is that because of the failure of price of your cotton?

Mr. HEARD. Yes, sir. With Egypt able to lay this cotton down in New England for 20 $\frac{1}{2}$ cents, it is evident that if the 20 cents per pound tariff asked for is added to the present price of Sakel Egyptian cotton, the American grower will make but a fair profit above his cost of production. While Secretary of Agriculture Wallace, in his recent report to the Ways and Means Committee, recommended a minimum duty of 10 cents per pound on this type of cotton, the situation now existing, as outlined above, would seem to justify the duty of 20 cents per pound asked for. It is hoped through this tariff legislation to stabilize the price of American-Egyptian cotton at from 40 cents to 45 cents per pound, thus justifying the continuation of the industry.

We are not asking for war prices. We sold our cotton during the war as high as \$1.35. Confronted with a cost last season of 52 $\frac{1}{2}$ cents, and the importation of Egyptian cotton at 26 cents, the American producer has naturally made a determined effort to hold his crop until tariff protection can be secured, and on September 15 over 50,000 bales, or about half of last year's American production, were in the hands of the growers, who had been liberally financed by the banks of the Southwest, and whose welfare and solvency even was at stake if they were forced to dump their cotton on the

market to meet Egyptian prices, and who will be seriously embarrassed in making their payments on Government reclamation projects if this relief is not granted.

Senator LA FOLLETTE. What is your estimate for your crop of 1921?

Mr. HEARD. Our estimate for the crop of 1921 in the Southwest, owing to very unsatisfactory conditions, is very greatly cut down; and it will be less than 30,000 bales.

Senator WALSH. Has the protection that was given this commodity in the emergency tariff bill resulted in increasing the sales of the American product?

Mr. HEARD. We have had a fairly satisfactory return. For instance, this year we have sold from the 1st of September 16,600 bales. The fact that the tariff or some other reason has prevented that Egyptian cotton coming in here, and has resulted in the manufacturers, for instance, of New York State, Senator, producing fine fabrics, buying Pima cotton. Of the 16,600 bales we have shipped this year about 13,000 bales have gone into the manufacture of fine fabrics, which is a very encouraging situation.

Senator WALSH. You are asking now for an increase above the rate fixed in the emergency tariff?

Mr. HEARD. The emergency tariff fixes it at 7 cents, and we are asking for 20 cents.

Senator SIMMONS. Mr. Heard, I understand you to say you think as to the present price of long-staple cotton that the growers of this would make nothing at all if they were to accept that price. At the present price they would make no profit?

Mr. HEARD. They would lose on last year's crop.

Senator SIMMONS. The short-staple cotton constitutes about 88 per cent of the total amount of cotton grown in this country?

Mr. HEARD. Yes, sir.

Senator SIMMONS. At the present price of short-staple cotton, do you believe that the growers of a bale of that cotton can make a profit?

Mr. HEARD. Senator, I am not familiar with the production of short-staple cotton. I really do not know anything about short-staple cotton, and what it costs to produce it.

Senator SIMMONS. I assume it costs as much to produce long staple practically as short staple.

Mr. HEARD. I am not at all familiar with that industry. I should not imagine it cost as much to produce short staple as long staple.

Senator SIMMONS. I suppose it cost only half as much to produce that, at the present price of short-staple cotton. I do not believe anybody at all familiar with the cost of producing that would say that any profit would be made by the cotton farmer at all, considering the fact that they have made a very short crop; they have suffered from the ravages of the boll weevil and the various other things that reduced the production to the acre. I think we are in the same boat with you.

Mr. HEARD. I am not familiar with your conditions.

Senator SIMMONS. But we have no competition.

Senator SMOOT. I notice now, however, that the crop is 1,800,000 bales more than estimated in July.

Senator SIMMONS. It was estimated at a little over 8,000,000, as against a normal of 14,000,000.

Senator McCUMBER. But there is no important quantity of short-staple cotton imported, is there?

Senator SIMMONS. None at all.

Senator McCUMBER. That is what I understand in reference to the short staple. Therefore, all kind of protection would be beneficial to you, if there are no importations. You would not, therefore, reason that you should not give reasonable protection to a line of cotton placed in a section of the United States and in which there is considerable competition?

Senator SIMMONS. No; I am not making any such argument or expecting any such inference to be drawn from what I did say. But what I did say meant this, that the price of the long staple in this country has kept up just about as well as the price of the short-staple cotton. Both have fallen in proportion, and neither can be cultivated at the present prices of cotton.

Mr. HEARD. The long-staple cotton has been hurt more seriously than the short recently, because of the fact of the tremendous surplus amount of cotton that was bought by the tire manufacturers in 1920, in the early part of that year; so that they have not been in the market, and we have had to seek these new markets I have referred to.

Senator WATSON. What is the total consumption of long-staple cotton in the United States?

Mr. HEARD. Of this type of cotton?

Senator WATSON. Yes.

Mr. HEARD. About 240,000 bales per year.

Senator WATSON. What is the most you ever raised?

Mr. HEARD. One hundred and three thousand bales.

Senator WATSON. How much could you raise with proper protection?

Mr. HEARD. I am going to show you in a minute that we could easily raise all that is used in America.

Senator SIMMONS. In both the long staples and short staples the consumers especially of long staple laid in a pretty large supply, and that supply has not been used up, probably.

Mr. HEARD. That is so. We are just beginning to get to the end of it.

Senator SMOOT. Have you estimated how much cheaper you will be able to raise long-staple cotton next year than you have raised it this year?

Mr. HEARD. You know that this year we have produced our cotton at about 60 to 65 per cent of our cost last year. We are hoping by improved methods to still further decrease it by getting more cotton to the acre.

Senator SMOOT. I was anxious to know if you had arrived at any conclusion as to what this decrease in cost would be for the year 1921 over 1920?

Mr. HEARD. My impression, Senator, is that at this price of 35 cents we can lay it down in New England to-day and make a fair return to the farmer on his land, and that that is about as low as we could do it. We may get down to 30 cents.

I am now introducing for your inspection Exhibit G [the chart referred to was shown at this point to the committee], consisting of a map, prepared by the Department of Agriculture, showing the location of approximately 1,300,000 acres of irrigated land where this type of cotton can be grown. And this answers your question, Senator Watson—

Senator SIMMONS (interposing). Mr. Heard, one minute. I have not made the calculation myself, but I have asked to have it made, as to the price of Egyptian cotton for 1919 and 1920 and 1921, as shown by the Government statistics, and I am advised that for 1919 the price of imported Egyptian cotton was 41 cents; for 1920, 50 cents; for 1921, 35½ cents. I do not know any more about that price than I have just told you.

Mr. HEARD. The figures prepared by the United States Department of Agriculture show that the average price of this American-Egyptian cotton in 1915 was 22 cents; for 1916 that it was 42 cents; in 1917, 80 cents; in 1918, 55 cents; and for 1919, 85 cents—

Senator SIMMONS (interposing). I am not asking about the American. I was talking about the Egyptian.

Mr. HEARD. They run very close to a parity.

Senator SIMMONS. I was simply giving you the conclusion made, based on the amount of Egyptian cotton imported and the value of that cotton, and that shows that the Egyptian cotton sold in this country in our markets at 35½ cents in 1921, at 50 cents in 1920, and 41 cents in 1919.

Mr. HEARD. Sakel cotton went over \$1 a pound during the height of the price for Old World Egyptian cotton in America.

Senator SIMMONS. I understood you to say a little while ago—and that is the only purpose I had—that the Egyptian cotton was being imported and purchased in this country for much less than 35 cents.

Mr. HEARD. It was delivered in the months of July and August at New Bedford at 26 cents, and you can refer to the Bureau of Markets on that, or any of the State journals.

Senator WALSH. Does that include the tariff rates?

Mr. HEARD. I think that price did not include the tariff.

Senator WALSH. So the adding of the tariff on that price would make a price of about what it would cost to produce it in America?

Mr. HEARD. Yes.

Senator SIMMONS. But the price which I just read, 35 cents, this year, and 50 cents in 1920 on this Egyptian cotton bought by our Egyptian spinners was before the tariff was added.

Mr. HEARD. Yes, sir.

Senator SIMMONS. That was the price in bond, so to speak?

Mr. HEARD. Yes, sir.

Senator SIMMONS. And if you add the present tariff on that—

Mr. HEARD (interposing). The tariff did not go on until May 28, 1921.

Senator SIMMONS. I mean the emergency tariff.

Mr. HEARD. Yes, sir.

Senator SIMMONS. But that should be added to all cotton which has been imported since it went on.

Mr. HEARD. The advantage in the tariff has been to slow up the import of Old World cotton and give us a chance to get rid of the surplus 1920 crop.

Senator SIMMONS. I do not suppose with this large surplus on hand, as a result of the abnormal purchases last year, that there was much inducement to import additional cotton here, especially in view of the fact that we had some stipulated supply in this country.

Mr. HEARD. I am very glad to say that there is a shortage of Egyptian cotton this year that is helping us a little.

Senator SMOOT. For instance, in October of 1921 there were 2,180,711 pounds of Egyptian cotton imported into this country, the value of which is \$797,946, or around 38 cents per pound. I notice in the five months for 1921, beginning May 28, and ending October 31, there was imported only 5,261,709 pounds, and the value was \$1,572,058, and that was 30 cents per pound. In other words, if these figures of the Department of Commerce are correct, the price of long-staple cotton was much higher in October of this year than it was in the preceding nine months.

Mr. HEARD. Yes, sir. The Egyptian cotton is being laid down in New Bedford right now at about 38 cents. Mr. Meadows, of the Bureau of Markets, is here and he can give you those figures very accurately if you desire them.

Senator SMOOT. These are from the Department of Commerce.

Senator McCUMBER. The prices which you receive for your long-staple cotton in Arizona must always go up and down with the cost of importations?

Mr. HEARD. Yes, sir.

Senator McCUMBER. Governed entirely by it.

Senator SMOOT. And the demand?

Mr. HEARD. When interrupted, which I was glad to be, I was producing Exhibit G, consisting of a map, prepared by the Department of Agriculture, showing the location and the area of lands located in the irrigated valleys of the Southwest, of approximately 240,000 acres, on which American-Egyptian cotton was produced last season, and showing the vastly larger area of 1,200,000 acres in the Southwest where climate, soil, and irrigation conditions are favorable to the growth of this type of cotton.

The cotton producers of the Southwest, alarmed at the delay in granting tariff protection, have decreased their acreage in Pima cotton this year to 89,000 acres.

Those lands show an aggregate of 1,281,374 acres of land now irrigated suited by climate and soil condition to grow this type of cotton I am talking about, and these arid lands last year produced cotton on 240,000 acres. But that area shows where this cotton can be produced and is prepared by the Department of Agriculture at the request of Senator Ashurst for the purpose of this hearing.

It is estimated, however, that if the protection asked for is granted, a sufficient acreage, ideally situated for cotton production, will be developed in the Southwest within the next five years, to produce all the cotton of this type used by American manufacturers.

This is in answer to your question, Senator Watson.

This would mean doubling the acreage on which production was carried on in 1920. In doubling the acreage every effort will be given

to providing for balanced agriculture, involving crop rotation and soil conservation.

The plat presented as Exhibit H, showing the exact types of this cotton, prepared by the United States Department of Agriculture, illustrates convincingly the need for preserving in America this remarkable industry, which only asks that the same protection be given the products of the farm as is granted to those of the factory.

Senator SIMMONS. Is this entirely grown under irrigation?

Mr. HEARD. It is entirely grown under irrigation; it can not be grown otherwise. I would like to pass these around, if I may, Senators, as I want to show what a wonderful cotton this is.

(Samples of Egyptian-American cotton were distributed to the committee.)

Senator WATSON. Did they raise this Egyptian cotton under irrigation?

Mr. HEARD. Oh, yes; entirely.

The CHAIRMAN. Where was this cotton produced?

Mr. HEARD. This came from Arizona; it is the Pima cotton. There is the length the cotton is running. Here is the cotton itself [indicating]. It is a silky, fine, wonderful cotton.

At present Egypt produces annually about 700,000 bales of this type of cotton, America produced 103,000 bales, Peru about 5,000, the Sudan about 10,000, and Nigeria and Uganda in Central Africa about 2,000 bales each in 1920. The world's demand for fabric made from fine cotton is increasing. England with a keen sense of trade advantage has definite constructive plans under way, through her control of barbarous and semicivilized countries to control the long-staple production of the world; and it is manifest that if we allow this American industry to perish our American manufacturers will eventually pay such a price for this essentially needed cotton as the nation or nations which control its production may demand. With remarkable vision England is laying her plans for obtaining her raw materials for the benefit of her manufacturers in those equatorial lands where native labor is unlimited and the price of production is not a factor. Recently I had the opportunity of conferring in England with the very able manager of the English Cotton Growing Association, who, with the cooperation of the Government, is spending 150,000 pounds sterling per annum in development of new fields of cotton production. Mr. Himberry's report to the World Cotton Conference on this remarkable development is filed with the committee under the head of Exhibit I.

(Exhibit I was here shown to the committee.)

This organization brought about the production in Nigeria, Uganda, Sudan, and Mesopotamia last year of 80,400 bales of cotton, of which approximately 20,000 were long-staple cotton of the type referred to in this statement, and the estimate of production this year in the same countries is 146,000 bales, with an ultimate production of nearly 3,000,000 bales. I have had enlarged, and am presenting herewith under the head of Exhibit J, a map [exhibiting the same to the committee] accompanying Mr. Himberry's report, in which the areas shown in black and under British control are those in which long-staple cotton is being grown. I will just explain that map a little [Exhibit J]. That little point [indicating] is the delta of the Nile, where the Sakel cotton is grown. Here is Mesopotamia,

here is Sudan, here is Nigeria, and here is Uganda. England is to spend on her Sudan development over 250,000,000 in developing just this type of cotton, so that the competition we now have from the little delta of the Nile will be very small to what we are going to have in the future as her plans develop.

It is very proper that England should be awake to her commercial interests, and it is certainly time that the United States should realize the need of maintaining, through protection, this cotton industry of the Southwest, which has such immense possibilities of development.

It should be borne in mind that the agricultural producers asking for a tariff on cotton are merely voicing the principle that protection should apply to the products of the farm as well as to those of the factory.

I want to thank you, gentlemen, for your consideration and courtesy.

Senator SIMMONS. Mr. Heard, at the present time if the English mills were running anything like normal capacity they would probably consume pretty much all of the Egyptian, would they not—long staple?

Mr. HEARD. This year, Senator, Egypt has a short crop. They might consume a large part of it. But in average years they would not, and, as I have explained, additional areas are coming in under English control producing this long-staple cotton.

Senator SIMMONS. Do you mean to say that they are experimenting? England has been experimenting and trying to raise not only long staple but short staple. She probably will be a little more successful in bringing about the increased production of long staple. She has not succeeded at all up to this time in increasing the world's production of short staple.

Mr. HEARD. This is the official statement that I am handing in here of Mr. Himberry's, the manager of the English Cotton Development Association, which shows that in the Sudan they produced 10,000 bales of this particular type last year.

Senator WATSON. For what purposes can long-staple cotton be put at that short-staple cotton can not be used?

Mr. HEARD. The principal uses of it to-day, Senator, after you get first into the automobile-tire fabric, is in threads and fine fabrics; that is the second greatest use.

Senator WATSON. Can short-staple cotton be used for that, too? —

Mr. HEARD. It is not at all desirable. Coming to that, that [indicating sample of cotton] gives you an idea of the type of this cotton we are producing. That cotton you see there goes into airplane fabric. That is another essential use.

Then, there are certain ladies' uses—I do not remember all of them—but dimities, organdies, and voiles; all that sort of thing; then, also, handkerchief material.

Senator WATSON. I am trying to find out whether short-staple cotton can be used for the same thing?

Mr. HEARD. You have to have a certain length of staple to make these fine goods which is not found in short-staple cotton.

Senator WATSON. That is what I am trying to get at—to show how much competition you have with the short-staple cotton.

Mr. HEARD. That has an entirely different field of use, sir.

Senator SMOOT. This [referring to samples] is a very much better cotton than short staple for mixing with wools, too?

Mr. HEARD. Oh, yes.

Senator SMOOT. Just a question about the length of the staple: You stated that the Pima long-staple cotton runs from $1\frac{1}{4}$ to $1\frac{3}{8}$ inches?

Mr. HEARD. It runs to $1\frac{1}{4}$.

Senator SMOOT. If we limited this to $1\frac{1}{4}$ in staple, would it take in all of the Arizona long-staple cotton?

Mr. HEARD. That would not be satisfactory, for this reason: We have some cotton that runs as low as $1\frac{1}{8}$.

Senator SMOOT. I wanted to find out.

Mr. HEARD. Then, if we should have it limited—

Senator SMOOT (interposing). For instance, to $1\frac{3}{8}$?

Mr. HEARD. To $1\frac{3}{8}$; we fear, then, they would try to substitute what is known as Egyptian "uppers" cotton, that runs about $1\frac{1}{4}$.

Senator SMOOT. You must remember this, that the administration of a tariff duty, if they are going to put a compensatory duty upon the cloth, that it is a mighty hard thing for anybody in this world to tell whether it is $1\frac{3}{8}$, or $1\frac{1}{8}$, or $1\frac{1}{4}$ cotton that is in those goods, and I wanted to know just exactly where you were safe—I mean, with long-staple cotton, and if you are safe with $1\frac{3}{8}$, that is what we want to give you.

Mr. HEARD. We do not feel safe with $1\frac{3}{8}$, because there are possibilities of substitution.

Senator SMOOT. Then, if you get down to $1\frac{1}{4}$, nobody in the world can tell what is in the goods.

Mr. HEARD. One and three-eighths would be a great help to us, Senator. The amendment before the Senate, however, is on $1\frac{1}{4}$.

Senator SMOOT. Yes; I know it is.

Senator WALSH. You are basing your request for 20 per cent upon the theory that the committee will adopt the American valuation plan?

Mr. HEARD. The American valuation plan, I am frank to say, I do not thoroughly understand.

Senator WALSH. I was going to ask you, assuming we do not use the American valuation, but maintain the present tariff basis, would you be content with 20 per cent?

Mr. HEARD. We are not asking for 20 per cent; we are asking 20 cents per pound—a definite, specific duty.

Senator SIMMONS. Mr. Heard, will you please tell the committee about what is the average cotton output per acre?

Mr. HEARD. The average in the South River Valley for a period of five years has been a trifle under a half bale to the acre.

Senator SMOOT. About 250 pounds?

Mr. HEARD. About 240 pounds per acre.

Senator SMOOT. That is lint cotton?

Mr. HEARD. That is lint cotton; it takes about 1,900 pounds of seed cotton to make that, sir—to make a full bale, or 950 pounds to make 250, which runs about 26 per cent lint.

Senator SMOOT. You generally get about one-third?

Mr. HEARD. You do of short staple, but we only get about 26 per cent lint.

Senator SMOOT. Because the seed are very large?

Mr. HEARD: They are peculiar seed we have, and that is the same characteristic of Egyptian seed.

Senator SMOOT: They are very heavy seed?

Mr. HEARD: Very heavy seed; and it has much better oil value than the seed of the South.

The CHAIRMAN: The committee is very much obliged to you for your very interesting statement.

STATEMENT OF HON. THOMAS E. CAMPBELL, GOVERNOR OF ARIZONA, PHOENIX, ARIZ.

Gov. CAMPBELL: Mr. Chairman and gentlemen of the committee, I think that the case of the long-staple cotton has been very well presented here by Mr. Heard. You have his report and charts with you and specimens of the growth of that cotton, and it is not for me to reiterate what he has already stated.

The point I want to make in the few minutes allotted to me is this: That if the Southwest of this Nation, embracing a part of the State of New Mexico, Arizona, and southern California, is to have that growth which we who are interested in it hope for, it will be necessary for us to develop industries there which will bear exporting without the boundaries of the State. Primarily Arizona is a mineral-producing State. When our copper industries are in their production, we have good markets for our agricultural production; when they are, as they have been in the past year, depressed and not active, we find that it is possible for us to ship but few citrus fruits and vegetables out of market beyond the confines of the State.

The development of this wonderful cotton, gentlemen, gave us a hope that we could bring to fruition a part of the hundreds of thousands of arid and semiarid acres in that country by the application of water to it.

And that was the outlook which many of us who have been interested in this development the past few years have looked forward to, and to find the possibility of that market being lost to foreign countries appalls the entire agricultural industry of that State.

It is not for me at this time to tell you the distressing conditions existing. But we have hopes there of bringing into being by the utilization of agriculture and the development of hydroelectric power an agricultural commodity such as we present you this morning that can suffice to take care of all the consumption in this country; and looking ahead, as I think I can, for a few years I can see within five years the opportunity to produce all of the long-staple cotton necessary for the consumption of American manufacturers at a price which will give our people, I hope, a standard of living which they demand in this country.

It is impossible for us to compete with Egyptian labor; it is impossible for us to compete with ocean-going vessels comparable with the freight rates that we have to pay from that country, which is on the peak of this Nation and where, unfortunately, we have the highest rates.

I can see no particular future for that country as an agricultural country unless we are enabled to export from the confines of the State a commodity which will give the people there more than simply a bare living; and that is what I wanted to stress here this morning

as to our situation, and that also embraces the various irrigation valleys of the State of New Mexico, all of the desert country of Arizona, and the desert portions of southern California.

Senator SMOOT. Now, does it take as much water to irrigate this long staple as it does to irrigate grains and alfalfa?

Gov. CAMPBELL. It takes a little more water to irrigate cotton than it does grain, but not so much as alfalfa. I want you gentlemen to appreciate that we are an old country that is coming back anew; that we have hopes there of being more than just a handful of people struggling for an existence. We want when our great mineral resources have been depleted—and they will be within a reasonable term of years, as the life of Commonwealths go—that we can replace it with an industry which will make of those States Commonwealths worth while.

We have struggled to that end. This Government has encouraged us for a number of years in this particular industry; it has encouraged us in the matter of loaning its funds in the reclamation projects there, and we have to-day an investment of \$14,000,000 of public moneys in Arizona alone, and if we are confined simply to growing things that we ourselves must consume we have reached the limit of growth. Fundamentally any State or any nation that can not export without its own borders the surplus that it grows, that community is at a standstill, and we are hopeful of growth, and there is nothing that we can export beyond our borders except something of this kind that will stand the high freight charges which we are laboring under now and probably will for some time. I thank you, Mr. Chairman.

Senator SIMMONS. Why do you have to resort to bringing labor over and sending them back? Why can you not get American labor to cultivate your fields?

Gov. CAMPBELL. The American labor of the Southwest, Senator, will not work in the fields for less than 40 to 50 cents an hour, and 8 hours is a workday; they are constantly coming into competition with industries that pay wages of that amount and work those hours of labor.

Senator SIMMONS. Then these Mexicans that you bring over underbid the American labor?

Gov. CAMPBELL. That is a fact; they work for less money than American labor will work for.

Senator SMOOT. A great deal of American labor does not particularly care to work in cotton fields and beet fields, because of the class of labor and the conditions around them?

Gov. CAMPBELL. That is correct, Senator. American labor will not work in the desert areas down in the cotton fields unless they are absolutely obliged to.

Senator LA FOLLETTE. You have a limited supply of labor there, which has been attracted to that country by your mining operations largely?

Gov. CAMPBELL. Yes, Senator; that is correct.

Senator LA FOLLETTE. And it is not the type of labor that goes readily to cultivating of the soil, and so you have been driven, I take it, to use this Mexican labor instead.

Gov. CAMPBELL. Yes, Senator; that is the only labor we have. This condition arose at the time the Government was urging the production of long-staple cotton during the war, having in mind the utilization of it for airplanes. The question came up to me at that time whether we would introduce Mexican labor into Arizona under the limitations then prescribed by the Department of Labor or whether we introduce Negro labor into it, and the question came up squarely to me then and I preferred to introduce Mexican labor to take care of the agricultural necessities with, of course, the understanding that it would return—and much of it has gone back—rather than introduce Negro labor.

Senator SMOOT. The difficulty of the beet people now is that they will all have to go back, so far as the beet fields are concerned. I received letters the other day to that effect; and I suppose it will have the same effect on the Mexican labor in Arizona.

Gov. CAMPBELL. It is having that effect.

Senator SMOOT. Another thing I want to say, Senator Simmons, is this: You take men who have worked in the mines underground, out of the sun, under the conditions found in the mines, and they do not want to go into the sun; in fact, they can not work in the sun, as is required in the cotton fields and beet fields of the West.

The CHAIRMAN. It is the same way in Pennsylvania in the coal regions?

Senator SMOOT. Just the same.

Gov. CAMPBELL. A man who has been working a thousand feet underground does not want to work on the surface.

Senator SIMMONS. That may be true, but where you have an agricultural State with agricultural lands worth \$200 an acre, it seems to me that that would induce people who are interested in agriculture and who have labored in that line of work to come and acquire lands and cultivate them.

Gov. CAMPBELL. We had a great number of people who came in from Texas and Oklahoma anticipating just the procedure that you mention, Senator—the purchase and acquirement of those lands. But apparently the community from which they came struck oil, and a great many of them immediately went back to those States, disposing of the land or, if they were tenant farmers, throwing up the leases.

In the matter of the value of acreage down there, Mr. Heard stated that it was computed at 8 per cent upon \$250, and I want to add for the record that the average assessed valuation of all the irrigated areas in the Salt River Valley is \$188 per acre.

STATEMENT OF B. M. MACINTOSH, REPRESENTING IMPORTERS OF EGYPTIAN COTTON.

The undersigned, who are directly concerned in the importing of Egyptian cotton, or interested in the benefits its importation imparts to the commerce of the United States of America and thereby to the general rail traffic, particularly of New England, wish to submit the following facts for your consideration as an answer to the testimony given before your committee December 13:

1. That the so-called American-Egyptian cotton is not a substitute for the cotton grown in Egypt, and manufacturers have found that equal results can not be obtained from it. The result of the proposed tariff would be either (a) the production of a lower grade of goods made necessary from the use of cotton of shorter staple or (b) a

vastly increased price to the public on sewing thread and other necessary products which can not be manufactured except from the imported Egyptian cotton.

2. There are two well-defined varieties of Egyptian cotton: Sakellaridis, $1\frac{1}{2}$ inches in staple, used for sewing thread and light fabrics; Upper Egyptian, $1\frac{1}{2}$ inches to $1\frac{3}{4}$ inches, used for tire fabrics.

Upper Egyptian cotton has never been subject to duty. The present tariff of 7 cents per pound on $1\frac{1}{2}$ inch staple and longer has practically excluded importations of Egyptian cotton of the long staple (so-called "Sakellaridis") varieties with the following exceptions: (a) That the lower grades did sell in July and August last as low as 26 cents delivered mill without duty, meaning 33 cents, including duty, owing to the fact that spinners were beginning to realize that there would be a general shortage of long-staple cotton. The best grade of Arizona cotton was sold at the same time at 28 cents delivered mill, proving that the Egyptian cotton was not sold at an unfair price. This was during the period of commodity price depression, when most commodities sold below the cost of production. The amount of Egyptian cotton sold at that time was so small as to be really negligible in the present consideration. (b) That the higher grade has had a demand from certain spinners who can find no other cotton to substitute for this in their class of work. The price of such grade is now approximately 46 cents, or with duty 53 cents, delivered mill. The amount thus imported would likewise be but a few thousands of bales. Those manufacturers will probably have to use this high-grade cotton regardless of the duty.

3. It is obvious that in order to protect American manufacturers any duty on cotton must carry with it a compensating duty on yarns and cloths that might be imported manufactured from the same raw material. The proposed 20 cents tariff only further limits the use of high-grade cotton, which, according to the United States Department of Agriculture, is not grown in any part of this country.

In refutation of statements previously made by the Arizona Cotton Growers' Association at the hearing we beg to cite United States Department of Agriculture Bulletin No. 882, as follows:

"These tests showed no wide differences in the amount of waste discarded by the three varieties of cotton. The Pima American-Egyptian cotton showed a waste percentage of 29.09; Sea Island, 26.70; and high-grade Sakellaridis-Egyptian 27.07.

"Sakellaridis-Egyptian cotton gave the strongest yarn and cloth, a general average of all of the results showing a superiority of about 12 per cent over the Sea Island and the American-Egyptian."

There is no demonstration of the ability of Arizona to produce a cotton that can equal certain grades of Egyptian in all-around quality for manufacturing purposes.

4. The cotton manufacturers of the United States use yearly over 500,000 bales (500 pounds each) of staple above $1\frac{1}{2}$ inches, both imported and domestic.

5. The waste during manufacture of these longer staples is, from the raw material to yarn, approximately 30 per cent.

6. The proposed tariff of 20 cents a pound, with a compensating tariff, would allow spinners of yarns and cloth made from cotton $1\frac{1}{2}$ inches and above to increase their prices 20 cents per pound on 250,000,000 pounds of raw material, or \$50,000,000 plus 30 per cent mentioned in paragraph 4, or \$15,000,000, a total of over \$65,000,000 yearly to be added to the cost of cotton goods for the American public to pay.

7. It is brought out in the testimony before your committee that imported Mexican labor is employed in the cultivation of Arizona cotton; therefore you are asked to indirectly tax the American public \$65,000,000 to support alien labor. (See testimony of Dwight B. Heard and Governor Campbell, of Arizona, pp. 4433-4450.)

8. The United States Shipping Board has lately concluded an agreement whereby their steamers will dock alternately at Alexandria with steamers of the so-called "Liners combination," giving American shipping an opportunity for return cargoes from the Mediterranean. The passage of this bill would greatly limit if not nullify all that the Shipping Board has accomplished in this matter.

9. The Southern States produced in 1920 (the last year for which figures are available) 1,317,000 bales staple cotton, of which Arizona produced only 80,000 bales. The price of the vast bulk of this staple cotton would not be increased to the grower or benefit the cotton-raising section of this country by the proposed tariff, because the United States consumes only about half of its production of stapled cottons, and the price of these is regulated by the markets of the world. The exclusion of Egyptian cotton from this country by the proposed tariff would depress the market in Egypt. The European spinner would, therefore, be able to obtain his supply of Egyptian cotton at lower prices. He would naturally transfer his purchases to Egypt and would do without a certain proportion of American stapled cottons which he had hitherto been using. This could not fail to depress the price of American stapled cotton in this market.

10. In conclusion and apart from our direct interest, we believe there should be no duty on cotton of any length of staple. There has not been any for over a quarter of a century (until the present emergency tariff act), yet the cotton-growing industry has flourished in America.

METALLIC ARSENIC.

[Paragraph 1559.]

STATEMENT OF WILLIAM LOEB, JR., VICE PRESIDENT AMERICAN SMELTING & REFINING CO., NEW YORK CITY.

Mr. LOEB. Mr. Chairman and gentlemen of the committee, I appear before you this afternoon as spokesman for the producers of metallic arsenic.

We ask for a duty on metallic arsenic of 10 cents a pound.

Prior to the war practically no metallic arsenic was manufactured in this country, but was imported from Germany and other European countries. During the war, at the request of the United States Government, metallic arsenic was produced at the plants of the American Smelting & Refining Co. and the United States Smelting, Refining & Mining Co., and also the Hoskins Development Co., in Chicago.

The cost of production was high, varying from 40 cents to 60 cents per pound.

Senator SMOOT. I did not catch what you wanted on sulphide of arsenic.

Mr. LOEB. White arsenic?

Senator SMOOT. No.

Mr. LOEB. That was white arsenic I was talking about, Senator.

Senator SMOOT. You just got through with that.

Mr. LOEB. I am now asking 10 cents a pound on metallic arsenic. It is now on the free list.

Senator McCUMBER. Are sulphide of arsenic and white arsenic the same thing?

Mr. LOEB. No. White arsenic, on which I just requested a duty of 3 cents per pound, is oxide of arsenic. Sulphide of arsenic is on the free list. We are asking no duty on sulphide of arsenic. To resume, this cost could probably be reduced materially if there were a certainty of a steady demand for this product.

Metallic arsenic is offered from Germany to-day at 28 cents per pound. We are creditably informed that the present cost of production in Germany with low exchange and labor rates is approximately 5 cents a pound.

Metallic arsenic is used in the hardening of metals and, to a certain extent, in insecticides.

We feel that the industry should be encouraged and kept alive. In addition, at a very slight cost per pound, white arsenic could be produced from metallic arsenic and a duty should be imposed which would prevent the shipping of metallic arsenic to the United States for producing white arsenic.

COPAL GUM AND SHELLAC.

(Paragraph 1577.)

BRIEF OF MABION DORIAN, REPRESENTING THE COLUMBIA GRAPHOPHONE CO., BRIDGEPORT, CONN.

Paragraph 1577, H. R. 7450 (the free list), includes, among other imported products, copal gum and shellac. These two products are extensively employed in a variety of American manufactures as raw materials.

The Columbia Graphophone Manufacturing Co., of Bridgeport, Conn., is one of the largest manufacturers in the world of disk talking-machine records, in which both copal gum and shellac are highly essential ingredients, for which there is absolutely no substitute.

Other important American industries employing one or both of these products as raw material in their manufactures are felt and straw hats, varnish and similar products, buttons, combs, backs for brushes, sealing wax, marine glues, leather dressing, shoe counters and tips, electrical work such as insulation for cables, switch handles, switch buttons, lamp sockets, connection plugs, commutators for electric motors.

In all of these various uses the two products mentioned are received in an absolutely raw state and must be subjected to manufacturing processes to fit them for the uses to which they are to be devoted by each manufacturer. They can not be utilized in the state in which they reach the manufacturer.

Neither copal gum nor shellac can be produced in this country, consequently the entire quantity of each annually consumed in this country must be imported.

Copal gum and shellac are gathered from the forests and jungles of the Far East by natives. The principal market for copal gum is Singapore, and Calcutta for shellac. The natives bring their crops in from the country in the same condition in which they gather them and in that same condition they are shipped, without any treatment whatever. In this original condition they are quite unfit for use in manufactures of any kind, being full of twigs, sticks, grit, and dirt.

After reaching this country various methods are necessary to fit them for manufacturing purposes, these processes varying according to the character of use to which they may be intended.

In the manufacture of talking-machine records great care must be exercised to free the raw material from all extraneous substances such as twigs, sticks, and dirt. They must be ground and sifted, and the grinding and sifting operations add substantially to the original cost.

These operations can not be omitted and are preliminary to the real manufacturing operations.

Costly experiments have been conducted by most manufacturers in the effort to find a substitute for one or both of these raw materials and uniformly without success. Always it has been found necessary to rely upon the copal gum and shellac. No matter how expensive they may be the manufacturer must employ them and can not substitute some cheaper article.

The supply is at frequent intervals interrupted for long periods due to inability or unwillingness of the natives to harvest the crop, to lack of shipping, scarcity of crop, or other causes.

From three to four months usually intervenes between the purchase of a shipment in India and delivery of that shipment in New York. The shortest time in which it can be delivered is two months.

The shipment frequently suffers loss from deterioration while in transit due to careless handling or placing in a too hot hold of the ship. Invariably there is a substantial loss in the weight of the shipment due to shrinkage, which must be borne by the American purchaser.

Owing to the above causes affecting the supply, the price fluctuates enormously. During 1920 the price for shellac ranged all the way from 55 cents to \$1.50 per pound.

These two raw products have always been on the free list, each succeeding committee engaged in the revision of the tariff recognizing the principle that indispensable raw materials not produced or producible in this country should enter the country free of any export impost in the interests of American industry. As late as 1913, when the question was last debated, the House Ways

and Means Committee, after careful consideration of the question, decided to leave these products on the free list.

It is earnestly recommended that copal gum and shellac be retained on the free list for the following reasons:

1. They are essentially raw materials in a literal sense.
2. They are not produced in any quantity whatever in this country and can not be so produced.
3. They are not in competition in any degree with American products of a similar or kindred character.
4. They are indispensable in the highest degree to a variety of important American manufacturers producing a large variety of essential products.
5. They must undergo processes more or less difficult and expensive before being fitted as raw materials for American manufacturing purposes.
6. No American industry will be aided by a duty however small imposed upon them and no American industry will be injured in the slightest degree by admitting them free.
7. The imposing of a duty no matter how small will burden American manufacturers needlessly without a corresponding benefit anywhere.

EXPLOSIVE SUBSTANCES.

[Paragraph 1578.]

STATEMENT OF WILLIAM E. HALL, PRESIDENT TROJAN POWDER CO., ALLENTOWN, PA.

We respectfully wish to bring to your notice the following considerations in favor of placing a duty upon mining and blasting explosives in revenue bill H. R. 7456, now under consideration by your committee.

I. THE FACTS.

In this bill mining and blasting explosives are placed on the free list, but many substances which constitute important ingredients in modern mining and blasting explosives have been placed on the dutiable list. For example, T. N. T. is dutiable at 35 per cent ad valorem and 7 cents per pound, both ammonium nitrate and ammonium perchlorate are dutiable at 25 per cent ad valorem, and glycerine of the grade used in the manufacture of explosives is dutiable at 3 cents per pound.

The so-called permissible explosives used in the coal-mining industry contain from 60 to 80 per cent of ammonium nitrate; the average high explosive, other than permissible explosives, used in this country, contains from 20 to 40 per cent of ammonium nitrate. Glycerine is the base of nitroglycerine dynamite and T. N. T. and ammonium perchlorate are ingredients of like importance in other high explosives.

These ingredients, therefore, are important factors in the cost of manufacturing explosives. Generally speaking these and most other ingredients of explosives can be produced much more cheaply abroad than in this country. It must follow that a tariff bill levying heavy duties on such ingredients and leaving the finished explosives on the free list could have but one logical effect, to wit, to discourage the manufacture of explosives in this country and to encourage to the maximum extent the importation of foreign-made explosives. No other tariff law, whether enacted under Republican or Democratic auspices, has ever permitted the existence of a condition so unfair to American industry.

The Underwood Act placed both explosives and their ingredients on the free list. While it did not affirmatively assist the American manufacturer, at least it did not impose upon him a direct handicap in favor of the foreign manufacturer, such as the present bill proposes. The Payne-Aldrich Act carried practically the same duties upon the ingredients as are now provided and also made explosives valued at less than 20 cents per pound dutiable at 2 cents per pound and other explosives dutiable at 4 cents per pound.

In this connection it is important to note that the Dominion of Canada follows a policy directly contrary to the policy now proposed for this country. Explosives are dutiable under the Canadian customs tariff, while the raw materials used in their manufacture are on the free list. Where materials used in the manufacture of explosives are normally dutiable they may be imported duty free if exclusively for use in the manufacture of explosives. It will be conceded, we believe, that a policy of hostility to domestic manufacture and production is quite novel. Applied to the

explosives industry, we shall try to demonstrate that such a policy is even more objectionable than new.

II. RESULTS OF THE IMPOSITION OF HEAVY DUTIES ON INGREDIENTS OF EXPLOSIVES AND AT SAME TIME PLACING EXPLOSIVES ON THE FREE LIST.

A. As to large manufacturers with Canadian or foreign affiliations such results will not be serious, but as to small independent American manufacturers the results will be disastrous.

By placing a substantial duty on the raw materials and ingredients used in the manufacture of explosives and at the same time placing the completed explosive on the free list, encouragement is actually offered to such of the larger manufacturers of explosives as do not already have affiliated Canadian or foreign factories to erect plants just over the Canadian border, where foreign raw materials may be obtained duty free and from which finished explosives may be shipped into the United States duty free. It is a matter of common report, if not of common knowledge, that certain of the larger American manufacturers now have Canadian plants and interests in Canadian companies. To them, therefore, this bill is no hardship; it simply entails a certain curtailment of operation of their American plants and expansion of operation across the border. It is obvious that the conditions which this bill will bring about would make harder, if not impossible, the path of the smaller independent manufacturers of explosives in this country who have no foreign or Canadian plants and who could not afford the financial outlay represented by new plants outside the borders of the United States.

Clearly this bill would at one and the same time weaken the ability of the smaller independent manufacturers and place a competitive weapon of decisive importance in the hands of such companies as can engage in Canadian or foreign manufacture. This effect would be most injurious to our interests, since we have no connection or affiliation with any other manufacturer of explosives, no other manufacturer of explosives has any interest whatever in our business, and our only plants are located near Allentown, Pa., and Robert, Calif. We respectfully submit that there is no possible advantage in driving from business by discriminatory duties the small independent American manufacturer of explosives and at the same time leaving the larger manufacturers free to continue their business under highly favorable conditions just without the border of the United States. In this connection, it should be borne in mind that Canada and the United States represent an economic unit in the explosive manufacturing world and that the larger companies locate plants throughout the entire area in accordance with economic considerations only. Furthermore, the prices to the consumer in this country are regulated by the manufacturing costs of the smaller independent American manufacturers, the competition really being between individual small independent American companies and a group of larger companies having a common parentage as a result of their being brought into existence through the decree of the Federal court dissolving the Du Pont Co. some years ago.

B. As to revenues of the Government, the placing of completed explosives on the free list defeats the purpose of deriving revenue from duties on the ingredients in exact proportion to the amounts of completed explosives admitted free.

Under the proposed arrangement of duties there can be no question but that American-made explosives will be supplanted by Canadian or other foreign-made explosives in large sections of the accessible borderland areas of this country. Therefore, the importation into this country of ingredients used in explosives will be greatly reduced, and the contemplated revenues to be derived from the proposed duties on these ingredients will be reduced proportionately. In this connection, it should be pointed out that the proposed duties on many of the ingredients are not high enough to be prohibitive, so that the ingredients will undoubtedly be brought into the country in proportion to the amounts of explosives manufactured in this country. Under similar duties in the Payne-Aldrich Act ammonium nitrate, for instance, was imported in large quantities, and with the new relative economic positions existing in this country and abroad in the manufacture of this material there will unquestionably be brought into this country practically all of the ammonium nitrate to be used by the smaller explosives manufacturing companies and probably the larger proportion of the ammonium nitrate to be used by the larger explosives manufacturing companies. It is quite clear, therefore, that the Government will sustain losses of revenue directly proportional to the amounts of completed explosives brought in free.

The case of ammonium nitrate will serve to illustrate the loss of revenue. This article is not used in any considerable quantity for any other purpose than the manu-

facture of explosives. During the first six months of the year 1920 there was imported into the United States 17,795,631 pounds, having a value of \$1,326,868. At 25 per cent ad valorem the duty on this ammonium nitrate would have been \$331,717 for the period of six months, or at the rate of \$663,434 per year. If data were obtained on all of the dutiable ingredients and raw materials used in explosives in this country, there can be no doubt but what the revenue to the Government at the rates in the proposed bill would upon the importation of all such ingredients and raw materials amount to several millions of dollars per year. To the extent that the manufacture of explosives in this country is stifled and done away with as a result of this bill, it is obvious that this revenue will be lost.

C. As to the consumer, the placing of explosives on the free list will not result in any reduction of price.

With the manufacture of explosives stopped or curtailed in this country, in order to get at the effect on the price to the ultimate consumer it is necessary to consider how the sale of foreign-made explosives would be carried on.

Due to their nature, explosives can not be imported in large quantities and then stored pending their sales. On the contrary, the importer's facilities for distribution must be such that each lot is distributed as soon as it arrives. It is not feasible to import explosives, particularly by sea, in small quantities, for the obvious reason that a vessel carrying explosives is, to a certain extent, undesirable for the carriage of other goods on the same voyage. Therefore, any importer of explosives must be prepared to distribute large quantities immediately upon their arrival. This means large numbers of scattered magazines placed at points where it is expected ultimate sales will be consummated. Under these conditions the only persons equipped to act as importers of explosives are the present large manufacturers. The business is so peculiar, the equipment so extensive and scattered, and the selling force required so large and of such qualifications by way of technical skill and experience, that it is unlikely that other persons would be able to convince foreign manufacturers that they would be competent to act as American selling agents and distributors.

A large part of the explosives business, whether measured by cost or by other factors, is the selling and distribution. The importer of explosives would have this cost still to bear. As against his manufacturing cost he would have the purchase price, the transportation, and the carrying charges. It is fair to assume that the foreign exporter would find it to his advantage to deal with the only persons in America who are at present competent to act as importers—to wit, the present large manufacturers—and that between the profit to the American importer, the foreign and domestic transportation charges, and the cost of distribution the saving to the ultimate consumer would amount to little, if anything. In this respect again, the hardship upon the small manufacturer would be very much greater than upon the large manufacturer, inasmuch as the small manufacturer obviously would not be in such good position to obtain satisfactory foreign connections as would the large manufacturer. Thus, the small manufacturer, through loss of business, and the Government, through loss of revenue, would suffer from the effect of the proposed bill. The consumer would not benefit, and the only persons who would benefit would be the larger foreign and domestic manufacturers of explosives and certain foreign carriers.

III. THE BILL SHOULD BE AMENDED BY THE PLACING OF A DUTY UPON COMPLETED EXPLOSIVES.

At first glance it might appear that the situation above discussed would be corrected by the elimination of the duty on the ingredients of explosives and leaving the completed explosives on the free list. If such a course were attempted, it would be found that many complications would result, inasmuch as the ingredients in their turn are manufactured from materials which are on the dutiable list. We believe it will be impossible to escape inequity by merely adding ingredients to the free list. Furthermore, such action would be totally out of alignment with the Republican policy in general and particularly with the policy which apparently has been adopted in this bill with respect to the vast majority of articles. As to most of the ingredients reasonable duty should be imposed both from a revenue standpoint and from a protection standpoint, since the large majority of them can be made more cheaply abroad than in this country, and even with the proposed duties foreign manufacturers will be able to continue in competition with respect to most of the ingredients.

The Payne-Aldrich Act provided a duty on blasting explosives in paragraph 435, reading as follows: "PAR. 435. Gunpowder, and all explosive substances used for mining, blasting, artillery, or sporting purposes, when valued at 20 per cent or less per pound, 2 cents per pound; valued above 20 cents per pound, 4 cents per pound."

These rates of duty on mining and blasting explosives would be reasonably satisfactory, although it would be fairer from every standpoint if there were more variations in the rates based upon the several prices. For example, we believe the situation would be better met if the duty were fixed at 2 cents per pound for explosives valued in this country at less than 10 cents per pound, 3 cents per pound for explosives valued in this country at 10 cents per pound or more but less than 20 cents per pound, and 4 cents per pound for explosives valued in this country at 20 cents or more per pound.

Perhaps it would have been sufficient to treat the placing of explosives on the free list as an oversight which would be corrected upon the directing of attention to it. However, we did not feel free to indulge in such an assumption on account of the vital importance of the subject to our business. Certainly an American manufacturer has the right to expect that the Congress will not put handicaps and hardships upon the conduct of his business in this country. From our point of view, free trade is infinitely preferable to the hardships which this bill proposes to put upon our business.

It is respectfully submitted that duties at at least the rates which the Payne-Aldrich Act carried and preferably at the rates above suggested should be levied upon mining and blasting explosives.

CURLED HAIR.

[Paragraph 1579.]

STATEMENT OF JAMES H. PRESTON, REPRESENTING THE WILLIAM WILKENS CO., BALTIMORE, MD.

Mr. PRESTON. I am interested in and desire to talk on curled hair, paragraph 1579.

The CHAIRMAN. You may proceed, Mr. Preston.

Mr. PRESTON. The words of the present proposed bill are [reading]:

Hair of horse, cattle, and other animals, cleaned or uncleaned, drawn or undrawn, but unmanufactured, not specially provided for.

I am asking the committee to make a change.

The CHAIRMAN. Will you indicate the change which you suggest?

Mr. PRESTON. The intention, doubtless, of the bill is to put all this material on the free list, and this is exactly what we desire, but the clause as quoted does not produce this result, because cleaned and drawn hair is in part or wholly manufactured. Drawn hair is wholly a finished product. The cleaned hair is partly manufactured in China, and they are both cleaned and drawn in China.

This provides an opportunity for foreign hair partly manufactured or wholly manufactured to enter free, which bears heavily upon us. We very respectfully suggest, therefore, that the words "cleaned and drawn" be omitted, so that the clause will read:

Hair of horse, cattle, and other animals, uncleaned or undrawn, but unmanufactured, not specially provided for.

So as to make really a free list raw material and not a partly or wholly unmanufactured material. This suggestion will clarify the law and doubtless will fulfill the purpose of the bill by admitting raw material free and thereby protecting the American manufacturer and the American laborer.

The CHAIRMAN. The committee will carefully consider the suggested amendment with a view to its adoption, if possible, and you can file any further brief.

Mr. PRESTON. That is all I have to say.

OSSEIN (UNFINISHED GELATIN).

[Paragraph 1580.]

**BRIEF OF EDW. VAN BERLO, SECRETARY WILCKES-MARTIN-
WILCKES CO., CAMDEN, N. J.**

Senator WATSON. Mr. Chairman, Col. C. F. Johnson, of Passaic, N. J., could not attend, and, at Senator Frelinghuysen's request, I want to file a brief for him.

Senator McCUMBER. Very well, that will be printed.

(The brief is as follows:)

I represent the Wilckes-Martin-Wilckes Co., manufacturers of ossein, at Camden, N. J.

Ossein is partly finished gelatin and for the first time appears as such in the tariff bill H. R. 7456 of June 29, 1921, under paragraph 1580 of the free list.

Previous to this time ossein was wrongly classified and imported free of duty under paragraph 584, page 73, of tariff law of August 5, 1909, which paragraph read:

"Hide cuttings, raw, with or without hair, and all other glue stock."

Ossein is neither hide cuttings nor other glue stock, but it is a product of selected bone.

Previous to the war of 1914 ossein was imported from Europe.

During the war importations were impossible and, ossein being an essential food product, the manufacture of same in this country became a necessity.

Relying on the assurance of the Government that industries created through the World War would be protected after the termination of the war we, for one, erected a large plant at Camden, N. J., for the manufacture of ossein.

This plant we will have to scrap if ossein remains on the free list. If we can not continue to manufacture ossein in peace time, this country will be confronted with the same difficulty in case of another war, and our large investment will be a complete loss, as we can not compete with European manufacturers for the following reasons:

Ossein is the product of bone and muriatic acid, 1,200 pounds of acid being required to acidulate 1,000 pounds of bone.

As regards cost of bone, the European and American manufacturers are at par.

Muriatic acid, however, in Europe is a by-product of the dye manufacturers, while the American muriatic acid is produced from sulphuric acid and salt. A 20-degree Baumé acid in America costs \$20 per ton, in Europe less than \$4 per ton.

European labor in the European ossein plants receive a pay of from 50 to 55 cents per day, while we are paying from \$3.75 to \$4.25 per day for the same number of hours.

Since the armistice has been signed, ossein is being imported again into this country in large quantities at prices way below our cost and all indications point to the fact that the European manufacturers are again trying to use the United States as a "dumping ground" for their surplus material.

As the European dye manufacturers are striving to regain the world market, muriatic acid, their by-product in the manufacture of pure soda ash, made by the La Blanc process, which is essential in the manufacture of high-grade dyes, will become more and more plentiful, and the price of muriatic acid is bound to be lower in Europe than it is to-day, while we can not expect any great reduction in the cost of this commodity in America.

America, not having a dye industry producing the high-grade dyes, which require an absolute pure soda ash, is producing its muriatic acid from sulphuric acid and salt, and for this reason the American manufacturer of ossein can never hope to obtain the muriatic acid required in the manufacture of ossein at a price enabling them to compete with Europe, where muriatic acid is a by-product.

Some of the American gelatin manufacturers, who, during the war made ossein (their raw material) in this country, have strong affiliations with works in Germany and Italy, and for the reason that they produce ossein cheaper in Europe, may prefer to manufacture there and bring it into this country free of duty. Thus they would give employment to foreign workmen instead of American labor.

We have no connections with European ossein producers, neither are we manufacturers of gelatin, deriving a profit from such, and therefore rely on the Government's assurance to protect American industries created by the war.

Ossein is again brought in from Germany at 10 cents per pound, while our cost of manufacture is very much higher than this figure.

Ossein is not hide cuttings and not glue stock under which this article formerly and now comes into this country free of duty, and being a half-finished gelatin, it properly belongs under paragraph 40, "Gelatin, glue, and glue size, etc."

If ossein is left in paragraph 1580 of the free list, it will not alone mean a total loss of our investment and deprive American labor of their work, but it will also mean that the American manufacturers of muriatic acid will lose this valuable business on acid required for the ossein manufacturing, and again reflect on the labor employed by the acid manufacturers.

It, furthermore, will place this country into the same difficulty in case of another war, and we therefore pray that ossein be listed under paragraph 40, which should read:

"Gelatin, glue, and glue size, 20 per centum ad valorem and 1½ cents per pound; manufactures, wholly or in chief value of gelatin, casein glue, isinglass, and other fish sounds, cleaned, split, or otherwise prepared, and agar-agar and ossein, 25 per centum ad valorem."

HIDES.

[Paragraph 1582.]

STATEMENT OF FRANK B. McCLAIN, VICE PRESIDENT NATIONAL LIVE STOCK EXCHANGE, CHICAGO, ILL.

Mr. McCLAIN. Mr. Chairman and gentlemen of the committee, it would seem to be a case of carrying coal to Newcastle for me to appear here to give you information on a subject with which, I have no doubt, you are equally familiar or perhaps more familiar than I am. However, as vice president of the National Live Stock Exchange and as a member of its legislative committee, I have, by reason of the unavoidable absence of the president of the National Live Stock Exchange, Mr. Everett Brown, of Chicago, been delegated to appear and voice our protest against hides, calfskins, and sheepskins being placed on the free list in the tariff bill in the framing of which this committee is now engaged.

Senator SMOOT. What duties do you suggest?

Mr. McCLAIN. We believe that the duty, originally incorporated in the House bill and afterwards stricken out, of 15 per cent is not adequate and that the said duty should be 25 per cent, in order that proper protection be afforded to American agriculture. In fact, a duty of 30 per cent would be better and more logical, when we take into consideration that the animal alive and wearing his hide is taxed 30 per cent in duty under the present emergency tariff bill.

For your information I have been advised that in addition to having authority to voice the sentiment of the National Live Stock Exchange on this subject I also have been authorized to express the views of the cattlemen of the United States, and by the term "cattlemen" I mean more than 1,000,000 men engaged in the breeding and making into beef of cattle.

The question of a tariff on hides not only has direct relation to the ranchman with his tens of thousands of head of cattle but, as well, has relation to the small farmer who keeps only one cow for his family use.

I need not tell you that the "man behind the plow," the man who feeds us, is the mightiest force in shaping our economic destinies,

and a condition of affairs which does not give him fair treatment in connection with the commodities which he produces inevitably results in adversely affecting the market for other manufactured products.

If reasonable protection is not given the farmer—and when I say “farmer” I include the live-stock producer—if a fair chance is denied him, while the city fellow—the merchant, the manufacturer, the coal operator, the mechanic, the railroad employee, and I might go on ad libitum—gets his, lessened production will ensue. Lessened production means that eventually somebody will have to go hungry, and it will not be the farmer, or at worst he will go hungry last; and, we might reflect, that lessened production means less tonnage for the railroads to haul and a corresponding reduction in railroad income.

The fact is that the farmer—and again that includes the live-stock producer—has become “dead sore” on his job. His enthusiasm must be rekindled, hope must be put into his heart, in order to inspire his maximum effort in crop production.

I need not go into details on the disparity in prices between the essentials of life that the farmer sells and the prices of the commodities which he buys. I shall not take the time to recite what he has to pay for everything necessary not only in his living but in the conduct of his work; it goes all along down the line. The disparity runs all through the list, it covers every article of wear for himself, for his wife, for his children—everything that he uses in his house, every article of furniture, and all of the apparatus and equipment that he must employ in his processes of production.

Take the subject of leather goods, for instance. A pair of shoes for his 4-year-old child costs him more than he receives for the hide of a 1,300-pound steer that he slaughters for his family use or divides the carcass of with his neighbor.

Senator McCUMBER. That hide will make how many pairs of those shoes?

Mr. McClain. The hide of a 1,300-pound steer when green will weigh 75 pounds. When salted and ready for the tanner the same hide will weigh 65 pounds, and will make from 40 to 45 pounds of finished leather. A pair of shoes for a 4-year-old child will weigh (made of leather) not more than 6 ounces.

Senator McCUMBER. About 3 or 4 ounces?

Mr. McClain. Certainly not more than 6 ounces.

Take the cost of a set of harness for one horse. Why, it represents the value of the hides of a fair-sized drove of steers. Is there any equity in that?

Mr. Chairman and gentlemen of the committee, I do not believe that what has come to be called “normalcy” or “dawn of the new day” can be or will be arrived at until the dollar of the farmer buys as much of the things he must have as the dollar that buys from him the things that he produces. Therefore, to correct social and economic ills we must have a common denominator, we must put producers of all commodities essential in our living on a parity, whether that commodity comes from the soil, the loom, the lathe, the furnace, or the factory.

All of the arguments for and against placing hides on the free list can be stated concisely. On the one hand, we have far more than a million live-stock producers urging a duty on hides. On the other hand, we have perhaps a thousand manufacturers of shoes requesting

that hides be placed upon the free list, in order, no doubt, that they may continue their plundering practices of 1919 and 1920, which practices embraced the manufacturer, the jobber, and the retailer alike and were a "stick up," compared with which train robbery was equally respectable, more hazardous, and less profitable. They were not content to be Robin Hoods and take only from the rich or well to do; instead, they were Captain Kidds and plundered all, taking their toll even on the footwear of the day laborer's little children.

Then, again, we have that vast army composed of the general public, who are the consumers. If the result of placing hides on the free list would be giving the consumer cheaper footwear, the arguments of the live-stock producers might have less effectiveness, but experience has demonstrated that cheap hides do not mean cheap shoes. As proof of this, I submit to you gentlemen that hides are to-day and have been throughout the year 1921 not only down to prewar prices, but actually below prewar prices.

I do not want to bore you with statistics, nor will I submit to you evidence from sources prejudiced against the hide, leather, and shoe business; instead, I will present the statement of a publication which is certainly favorable to the leather and shoe business, because it is their trade organ, and the name of that publication is the Hide and Leather Journal. The said Hide and Leather Journal, under date of August 20, 1921, presents the following comparisons in hide prices during the weeks ending August 20 in each of the 10 years from 1912 to 1921 (which table of prices I submit as part of my remarks).

Comparative prices of Chicago packer hides for 10 years, week ending Aug. 20.

[Hide and Leather, Chicago, Aug. 20, 1921.]

	Spready steers.	Heavy native steers.	Heavy Texas steers.	Light Texas steers.	Extra-light Texas steers.	Butt brands.
	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>
1912.....	21 -22	19½	17½	17½	16½-16½	17½
1913.....	19½-20½	19	18½	18½	17½-17½	18 -18½
1914.....	21½-22½	21	20	19½	19	19½-20
1915.....	27 -28	27	23½-23½	23	22½	23½
1916.....	27 -28	25½-26	23½	23½	23½	23½
1917.....	34 -35	30 -34	32 -32½	29	26 -27	31 -31½
1918.....	31	30	28	27	24	28
1919.....	54	52 -53	48	48	50	48
1920.....	39 -40	28 -29	25 -27	24 -26	23 -25	23 -24
1921.....	17½	14	14	13	12	13½

OUT OF SALT.

	Colorados.	Branded cows.	Heavy native cows.	Light native cows.	Native bulls.	Branded bulls.
	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>
1912.....	17	17	17½-18	17½-17½	15 -15½	12 -13
1913.....	17½-18	17½	18	18	15½	14 -14½
1914.....	19½	18½-19	19 -19½	20	15½-17	15½-16
1915.....	22½	22½-22½	26	25	21 -21½	16½-17
1916.....	22½-22½	23½	25	24½-25	22	17 -18
1917.....	30 -30½	26½-27	29 -33	29 -32	27 -28	23 -23½
1918.....	27	23	28	24	21½	19½
1919.....	48	50	53	61	43	41
1920.....	22 -23	22 -23	30 -32	25	23 -24	18 -20
1921.....	12½	11	13	12	8½	6½

Comparative prices of Chicago country hides for 10 years, week ending August 20.

(Hide and Leather, Chicago, Aug. 20, 1921.)

	Heavy steers.	Heavy cows.	Buffs.	Ex-trames.	Bulls.	Branded hides.	Calf-skins.	Klips.
	Cents.	Cents.	Cents.	Cents.	Cents.	Cents.	Cents.	Cents.
1912.....	15-15½	15½-15½	15½-15½	15½-16	12½-12½	12½-13	18½-22	16½-18
1913.....	15½-16	15½-16	15½-16	16-16½	13½-14	13½-15	17½-22	15½-18
1914.....	16-17	16½-17	17-17½	16-18	13½-14	14-17	20-25	18½-19½
1915.....	20-20½	19-20	19-19½	19½-20½	17	17-17½	20-25	19½-23
1916.....	20-20½	19-19½	19½	21-22½	17½-18	17½-18½	20-38	22-28½
1917.....	26-28	24-26	24-26	22-27	21-21½	20-21	30-45	27-42½
1918.....	28	25½	22	22	17	15-16	34-44	24-27
1919.....	42-45	40-42	40-43	50-53	32-34	36-38	70-1.00	50-67½
1920.....	19-20	16-20	14-20	14½-21	15-16	12-13	20-37½	15-30
1921.....	7½-8	7-7½	6-7	9½-10½	4½-5	4-5	14-20	12-17

Senator McCUMBER. Do you desire to make the table you submit from the Hide and Leather Journal part of your testimony and have it inserted in the record?

Mr. McCLAIN. I do, and in connection with the same let me call to your attention that in 1912 heavy steer hides sold at 19½ cents, in 1913 they sold for 19 cents, in 1914 they sold for 21 cents, in 1915 they sold for 27 cents, in 1919 they sold for 53 cents, and to-day in 1921 the maximum price at which they are selling is 14 cents. Let me further call your attention that in 1912 light native cowhides sold at 17½ cents; in 1913, 18 cents; in 1914, 20 cents; in 1915, 25 cents; with the price steadily increasing each year until 1919, when they sold for 61 cents; and to-day the maximum price at which this same grade of hides is selling is 12 cents per pound. (These prices apply, of course, to salted hides.) Are shoes lower in price than they were in 1912, 1913, 1914, or 1915? It goes without saying that the answer is "No." On the other hand, hides are lower and very much lower, as the statement of the Hide and Leather Journal sets forth. What, in the name of God, I ask, do they make shoes from? Do they make them from wall paper, burlap, or leather, or what? If they make them from leather, and they tell us they do (the wearing qualities of some of them seem to indicate they don't), the public certainly are justified in securing shoes for less than the prices at present charged for them.

I admit that there has been a reduction in the price of shoes to the public during the present year as compared with the prices of 1920. Manufacturers and retailers tell us that the reduction in prices has been 40 per cent, but investigation seems to indicate that the statement of the manufacturers and the retailer in this matter is somewhat exaggerated.

Senator CURTIS. Millions of hides are being imported.

Mr. McCLAIN. Yes; they are coming into this country from South America, from Canada, and from other countries, and the fact that they are coming here is making it, I will not say impossible, but exceedingly difficult for the American farmer, the American cattle breeder, the cattle grazer, and the cattle feeder to pursue his business with profit, and it is because of this great incoming rush of hides from other countries that we ask you to give us some protection in the tariff bill you are now framing.

Senator McCUMBER. How much of a tariff on hides?

Mr. McCLAIN. Thirty per cent.

Senator McCUMBER. Ad valorem?

Mr. McCLAIN. Yes, ad valorem.

Senator McCUMBER. Assuming that there are 2½ pounds of leather in a pair of men's shoes, to what extent would a 30 per cent tariff on hides increase the price of that pair of shoes? Have you made any computation of that?

Mr. McCLAIN. It is not hard to figure out, taking the weight of finished leather that a 65-pound or 70-pound salted hide will yield and divide the same with the average weight of a pair of men's shoes, and as well with the average weight of a pair of women's shoes, which, of course, will be lighter in weight than the shoes of the male.

Senator McCUMBER. The object of my question is to ascertain whether there would be enough in the tariff you suggest to increase the cost of a pair of shoes 5 cents?

Mr. McCLAIN. Hardly that much on children's shoes.

Senator McCUMBER. I have made such estimates myself, and I do not think there would be a difference of more than 4 to 5 cents.

Mr. McCLAIN. A tariff of 30 per cent on hides would not increase the cost of a pair of adult's shoes (averaging men's shoes and women's shoes) more than 7 cents.

Mr. Chairman, to sum it all up, to put hides on the free list is a body blow to American agriculture. Live-stock production, by reason of lessened exportation of live cattle and meat coupled with decreased meat consumption growing out of present industrial depression and consequent inability of the consumer to purchase and, further, because of the cataclysmic destruction of the value of by-products, has decreased and will continue to decrease unless some encouragement is held out to the cattle breeder, the ranchman, and the cattle feeder, who make beef from cottonseed meal, oil cake, and the grains of the field.

The United States census report, as well as the report of trade journals (statistics accurately gathered), shows that in the United States to-day the number of cattle, hogs, and sheep per 100 inhabitants (in population) have declined between the years 1900 to 1920 from 89 to 62 cattle, in hogs from 83 to 55, and in sheep from 81 to 33. And all this in the face of the fact that population has been steadily increasing. It is not hard to understand that if this condition of affairs be not checked there will come a day, and it will not be far off, when the United States, with all its wonderful equipment for the production of meat animals, will become a meat-importing nation instead of the meat-exporting nation that it has been for the past 50 years or more.

Mr. Chairman and gentlemen of the committee, I notice that I have overstayed my time limit, therefore I will not trespass further on your patience. I thank you very much for your courtesy, and I feel confident that in the consideration of this question you will, with that wisdom which always characterizes the acts of this committee, give recognition to the present plight of American agriculture and afford relief at least to the extent which I have here proposed.

Senator McCUMBER. We thank you.

STATEMENT OF HON. HOLM O. BURSUM, UNITED STATES SENATOR FROM NEW MEXICO.

Senator BURSUM. This brief was gotten up by Mr. Zimmerman, of Pennsylvania, who is a very large cattle buyer all over the West, and it is quite exhaustive, and I will not undertake to take up the

time of the committee by reading it. But Mr. Zimmerman makes the statement that a protective tariff equivalent to \$3 a head is absolutely necessary to preserve the industry.

He also cites some figures.

Senator JONES. Does he want \$3 a head on the cattle or the hides of the cattle?

Senator BURSUM. It would be on the hides; and it would be equivalent to \$3.

Senator JONES. On a hide?

Senator BURSUM. Yes. Now, with respect to the supply, the statistics are given here, which show that the cattle stock on hand in the United States had been reduced from 50,000,000 head in 1910 to a little over 35,000,000 head to-day; and that, notwithstanding the period of liquidation which was forced on account of demoralized prices, the net decrease in the markets of the United States for 1921 as compared with 1920 has been decreased by 715,900 head, or 11.21 per cent.

Here [referring to brief] is a short letter with reference to the market on hides, from Cottonwood Falls, Kans., where the butchers find no profit in making shipments. The letter is dated September 12, 1921 [reading]:

So low in price have hides dropped during recent months that it is not an unusual thing for local meat men when they kill a steer for beef to leave the hide where the animal was butchered, rather than save it and try to ship it to a tannery.

Recently, Chester Woodring, local butcher, shipped 80 cattle hides to a hide company, and his returns, after transportation charges were paid, were just \$22.50, or an average of about 28 cents a hide.

That is the condition of the hide market in the country now.

There has been a little difference of opinion as to whether we should have a specific duty or an ad valorem duty, and I understand that our live-stock association prefers the ad valorem duty. If we are to have an ad valorem duty, we ought to have not less than 30 per cent. Less than 30 per cent will not give us the protection we want. Personally, I have always favored a specific duty.

Senator JONES. I was just wondering what 30 per cent would amount to?

Senator BURSUM. The hide will average 20 pounds. You can take the normal price, and supposing we get back to normal, say, 15 cents a pound for dry hides—

Senator JONES (interposing). Yes; but suppose it was 5 cents a pound—30 per cent will not amount to anything hardly.

Senator BURSUM. I think we ought to have 15 cents a pound on them; that is my personal opinion, if it can be had, but if we are to have an ad valorem duty nothing less than 30 per cent would do us any good.

Senator McCUMBER. The brief will be printed as a part of your remarks.

BRIEF OF D. B. ZIMMERMAN, SOMERSET, PA.

A tariff is needed on hides at this crisis in the history of the cattle business to assist in reviving confidence, already seriously impaired, in the future of the industry. In making this statement I speak especially for South Dakota and Pennsylvania, in which my own interests are located; in general, for every farmer and cattle raiser within the metes and bounds of the United States.

When hides were placed on the free list disaster to the cattle interest was predicted; at the beginning of the European war the depressing influence was

in evidence. War demand temporarily put the cattle business on a basis of prosperity, but the moment this abnormal influence was eliminated basic influences resumed activity and for a year or more past the cattle business has been drifting into a condition of demoralization, a steady process of attrition actually threatening extinction so far as beef cattle are concerned.

Current cattle values at the live stock markets of the country are far below cost of production both from the standpoint of the breeder and the feeder, consequently the industry is without credit necessary to insure its continuance.

It is this elimination of credit that is largely responsible for liquidation now in progress everywhere, a movement that threatens the beef supply of the Nation, and in my opinion this liquidation will continue until the breeding herds of the West have been so seriously decimated as to create a gigantic restocking task that will consume many years in the accomplishment; meanwhile the population of this country will be largely dependent on the Southern Hemisphere for both beef and leather.

At present plethora rather than scarcity exists. Every leather warehouse in the country is congested, every tan pit is filled with unsalable raw material, packers are under the necessity of accumulating hides for which no immediate outlet exists, and when one can be created this important by-product vendes at absurdly low prices, especially when measured by cost of production. If leather scarcity, actual or impending, existed there could be logical reason for free trade in hides, but at this moment we have approximately a stock of sole leather amounting to 11,000,000 sides, or the equivalent of five and a half million hides, eight to nine million sides of upper leather, or the equivalent of four and a half million hides and also the equivalent of 4,000,000 calf and kip skins in manufactured leather. These imposing figures do not, however, state the case, as packers are carrying heavy stocks of salted hides at the principal slaughter points, every country butcher is looking for an outlet for his accumulated take-off, and what are known in trade parlance as "country hides" are practically unsalable.

Without any outlet through the railroad stockyards the domestic animals reared and fattened on the native and cultivated grasses, forage and corn crops the whole country west and including the Mississippi Valley would stagnate for wherever grass grows the live-stock industry is of more or less importance to agrarian welfare. This is not solely the problem of the western cattle raiser, but of practically every farmer from rock-ribbed New England to the Cascades and from the ranges of Montana to Florida and the Texas Gulf coast. It interests every farmer in Pennsylvania, New York, or elsewhere, who is the owner of a herd of dairy cows, because depreciation in hides has practically eliminated the salvage on his discarded cows, which go to the beef rail or the cannery in the final stage of their usefulness. Such cattle are in many cases returning less than \$10 per head net, between rail rates, depreciation in hide values, and other causes. Consequently I feel justified in asserting that every farmer or family that owns a cow in the United States, whether engaged in beef or milk production, primarily, is concerned in this hide tariff controversy.

We are now slaughtering cattle at the rate of 12,000,000 head yearly and will continue until liquidation has run its course, when the number will of necessity shrink and, incidentally, beef and leather production. By way of emphasizing this inevitable shrinkage in cattle production I may specify the fact that during the first eight months of the current year there was a loss of over 1,000,000 head in receipts at the principal markets of which 260,000 was registered at Fort Worth, Tex. At other principal markets the decrease, measured by supply of the corresponding period of 1920, was:

	1921	1920	Decrease.
Chicago.....	1,781,588	1,902,889	121,301
Kansas City.....	1,188,660	1,245,887	57,227
Omaha.....	886,714	905,406	18,692
St. Louis.....	472,652	594,764	122,022
St. Joseph.....	304,091	361,087	56,996
Sioux City.....	386,833	432,912	46,079
St. Paul.....	310,882	464,557	153,675
Denver.....	226,490	346,473	119,983
Buffalo.....	115,725	135,650	19,925
Total.....	5,673,635	6,399,635	715,900

Net decrease 715,900 (11.20 per cent).

When we consider that this eight-month period was one of enforced and ruinous liquidation, due to financial stringency and pessimism among cattlemen, we can understand what the decrease would have been had these incentives to upload cattle not existed. In my opinion the real cattle shortage will develop next year, especially if the financial situation and the cattle market prospect improves, and a duty on hides will do much toward reviving confidence of capital, thereby facilitating the gigantic rehabilitation task the industry is confronted with, the alternative being beef and leather shortage.

A duty equivalent to \$3 per head on the hide take-off would not only divert a substantial sum into production channels but would inject potential value into the aggregate holding of 86,810,000 cattle shown by the 1920 census to be in the country. To that extent it would exert a psychological influence which has been wholly lacking since hides went on the free list.

But the problem does not rest wholly with the hide market of the moment or six months hence, and it concerns more vitally than may be generally understood the future meat and leather supply of the Nation. I do not intend to attempt a demonstration that the duty on hides cattle growers seek will put the industry on its feet, as other causes are partly responsible for present demoralization, but such protection will go a long way toward restoring confidence in the cattle business. The problem actually concerns every farmer, every agrarian community, every bank handling live-stock paper, every slaughterer, every meat vender, and every meat consumer in the country. We do not realize the extent to which the beef production capacity of the United States has been impaired recently, impairment that in the finality of the liquidation process, now apparently unrestrainable, threatens the extinction of the industry as it at present exists, and with it the main beef supply reliance of the Nation.

According to the 1920 census figures the beef cattle herds of the United States were reduced to 35,424,458 head, whereas in 1910 the number was 41,178,434, a shrinkage of 5,753,996 head, or 13 per cent, in a decade or practically the period of free trade in hides.

Comparison with the census figures of 1900 is even more convincing. At that time we had 50,585,777 head of cattle, or 15,161,319 more than in 1920, and it must be remembered that since these figures were compiled liquidation, especially west of the Missouri River, has been running riot, owing to various causes, not the least of which is discouragement over depreciated values. A decrease of 30 per cent in cattle production in 20 years should be convincing of the seriousness of the situation and the prospect. Continued another decade it will mean serious deficiency of both beef and leather rendering us dependent on foreign supply sources while our own illimitable resources lie idle.

Another comparison may be effective: Twenty years ago we had 50,585,777 beef cattle with a population of about 76,000,000, at present we have 35,424,458 with a population of about 105,000,000, which is increasing in the same ratio as beef production is diminishing. While population has increased 40 per cent beef production has decreased 30 per cent. Had the beef cattle supply of the country kept pace with population increase we would now have 70,000,000 instead of 35,000,000 head.

I will refer to the dairy cattle industry briefly with the object of showing that owners of these cattle, practically all farmers are equally interested in a tariff on hides.

The 1920 census shows 31,384,372 of these dairy cattle, each wearing a hide and practically all of which will eventually go to the slaughterhouse when the value of the hide will be determined by whether it is on the free list or has protection. Numbers of dairy cattle, also their owners, are steadily increasing. In 1900 we had 17,135,000 milk cows according to the census, 10 years later it was 20,625,432 and in 1920 reached 31,384,372. Owners of these cattle scattered all over the country are interested in the ultimate value of their by-product.

In the West hides by the thousands are hanging on fences, mute testimony to the fact that a product representing a considerable percentage of the cattle raisers, revenue is valueless.

As an exhibit of prevailing conditions and press comments thereon I include this clipping from Topeka (Kans.) State Capital of September 12. Similar items appear throughout the county papers of the country:

"NO MARKET FOR HIDES—COTTONWOOD FALLS BUTCHERS FIND NO REVENUE IN MAKING SHIPMENTS.

"Cottonwood Falls, Kans., September 11.—So low in price have hides dropped during recent months that it is not an unusual thing for local meat men when they kill a steer for beef to leave the hide where the animal was butchered, rather than save it and try to ship it to a tannery.

"Recently, Chester Woodring, local butcher, shipped 80 cattle hides to a hide company and his returns, after transportation charges were paid were just \$22.50, or an average of about 28 cents a hide."

If free hides had even partly lived up to the advertisement written by the champions of the idea there would be some reason for continuance of that policy, but the reverse are the facts. Free hides were heralded as the forerunner of cheaper shoes and leather goods; no economic advantage to the consumer has resulted; in fact, there was a gradual advance in shoe cost, attributable to the monopoly in shoe-making machinery patents, up to the boom in prices occasioned by the European war. Since military needs subsided shoe prices have been maintained at abnormally high levels, although hides have declined 50 to 60 per cent. It is not my intention in this statement to give details concerning the decline in hides, as the committee has already been placed in possession of this data. All over the cattle country it is a grim jest that several hides are now equivalent in value to a single pair of shoes, and the alarming nature of the depreciation will be admitted. If the intention of free trade in hides was to reduce cost of shoes and manufactured leather goods to consumers, the effort has been a signal and lamentable failure, consequently it is neither reasonable nor logical to expect continuance of this policy to benefit consumers in the future.

Reduced to cost of shoes to consumers, the proposed duty on hides is negligible. Cost of shoes is based on profits to manufacturers, royalties on machinery and expense incidental to distribution. Investigation of this subject will effectively demonstrate that this aggregate expense is so substantial and considerable as to totally obscure the 20 per cent ad valorem duty on hides cattle raisers seek. It should be greater, at least 25 per cent, as contended by Gov. McClain.

Contention that free hides ever have or ever will lighten the consumer's burden is absurd and will not receive serious consideration from this committee. As a matter of easily demonstrated fact, any advantage from free hides has accrued and will accrue to the foreign producer and the domestic manufacturer.

An equally indefensible free-trade argument is that green hides put the American tanner and leather manufacturer in a position to compete for a place in the world's markets. As the result of a decade of free trade in hides our share of the world's trade in leather and manufactured goods is negligible. During the twelve months period ending June, 1921, our total leather exports aggregated but \$45,299,000 in value and the total exports of leather and leather manufactures \$98,208,000. During that period we imported 198,573,000 pounds of cattle hides valued at \$39,866,631, every pound of which was adverse to domestic prices and to that extent a handicap to our own cattle industry.

Importation of hides effects no saving of our own material resources as in the case of wood pulp and lumber. On the contrary, failure to consume each season as nature produces it the wealth of grass, forage, and coarse grains is equivalent to so much economic loss. The wealth of the trans-Missouri region is mainly in its pastures.

We approach this subject from no selfish viewpoint, but the good of the entire community, except perhaps a small element of manufacturers of shoes and leather goods. It must be obvious that a tariff on leather is as essential as a duty on hides; otherwise tanners in other countries, with cheap labor, could undersell our tanners in the American market, thereby enabling domestic shoemakers to evade protection on domestic hides.

It has been contended that free hides will serve a purpose in cultivating cordial relations with South America, thereby opening a market for our pure-bred stock. This is far-fetched and likely to prove illusive, as British breeders are in control of that market and are not susceptible of dislodgment. In my opinion years will be required to gain a footing in the pure-bred cattle market of South America, and while that outlet is undoubtedly desirable, such a trade can be built up only at considerable expense. Our annual increase of such cattle is needed at home and could be advantageously and profitably utilized if the com-

mercial cattle business could be put on its feet, one step toward achieving that purpose being a duty on hides. At this moment the pure-bred cattle industry is languishing in sympathy with demoralization of commercial trade and, in my judgment, the most effective relief will be furnished by infusing confidence in the latter. If the beef cattle industry in this country would be rehabilitated with reasonable celerity, a job would be promptly furnished to all the improved seed stock available and to be matured during the next decade. We can not have a prosperous pure-bred industry while the grower of beef is in his present straits. Under existing conditions the ranchman and farmer have no incentive to buy pure bred.

The argument against continuing hides on the free list may be summarized as follows:

The only possible accomplishment will be added profits for a few shoe and leather manufacturers.

Hides, being the principal by-product of cattle, will not be able to carry their share of cost of production, necessarily a penalty on beef, which in turn inures added cost to consumers of that commodity.

Free trade means further discouragement of those engaged in an unprofitable industry, restricting their credit and threatening further depletion of breeding herds.

If continued, free hides mean:

Restriction of beef production already seriously impaired, and this in turn will affect values of corn and other coarse grains and will prevent utilization to anything like maximum advantage of the annual production of grass, hay, corn, and other roughage which can only be valuzed by conversion into beef or other meat-producing animals.

Crippling the pure-bred cattle industry, thus depreciating values of seed stock which is needed to rehabilitate the commercial cattle industry.

Capital is afraid of the cattle business. Feeders by the thousands are at this moment clamoring for loans wherewith to lay in stockers for the purpose of converting corn and roughage.

All over the pastoral region millions of acres of valuable grass are going to waste merely because the industry can not be financed. Establishment of breeding herds is impossible because the necessary long-term loans are not available.

If free hides meant cheaper shoes the case of the cattlemen would be less convincing, but the consumer knows that the contrary is the case, especially the farmer who in this emergency finds that the proceeds of the sale of several hides is necessary to the acquisition of a single pair of shoes. The "cheaper shoe" slogan is too badly discredited to do duty for the free hide advocates.

The present condition of the cattle market for which free hides is partly to blame exerts a wide influence. It prevents the range cattleman from buying winter feed wherewith to insure his herd against winter loss; likewise the corn belt feeder from adding cottonseed products to one-sided ration of corn and silage. It hits the dairyman and the breeder of pure-bred cattle and if carried to its logical finality means, instead of cheaper shoes, harness, and other leather goods, scarcity of beef and prices for that commodity prohibitive to the industrial masses.

Free hides have been influential in present cattle trade demoralization by reason of the fact that beef has been compelled to bear an excessive proportion of production and distribution cost. It has been a case of furnishing a small coterie of manufacturers with cheap raw material at the expense of the great army of beef consumers, this in turn restricting consumption and adding to trade distress.

No single industry in this country is more essential than cattle; none has been subjected to as many handicaps, artificial or otherwise. The business has had enough "Knockers" without saddling it with this incubus. Hides should have a tariff commensurate with duties on other commodities named in the tariff law, and it is my opinion that if such action is taken by Congress the resultant beneficial influence in cattle circles will be prompt; otherwise in nursing the fetish of cheap shoes we may find ourselves dependent on South America for both beef and leather. Should that come about an indefinite period of high prices will be unavoidable. We have tried to conduct the cattle business in this country under free-trade conditions with disastrous results; let us profit by the experience.

STATEMENT OF FRED C. FABEL, REPRESENTING THE AMERICAN OAK LEATHER CO., CINCINNATI, OHIO.

Mr. FABEL. Mr. Chairman and gentlemen, the title of my brief is "Why hides should remain on the free list."

There is no more concise and complete summary of the reasons for this than a letter written by the Hon. James G. Blaine to the Hon. Wm. McKinley when the latter was chairman of the Ways and Means Committee of the House:

APRIL 10, 1890.

DEAR MR. MCKINLEY: It is a great mistake to take hides from the free list, where they have been for so many years. It is a slap in the face of the South Americans, with whom we are trying to enlarge our trade. It will benefit the farmers by adding 5 to 8 per cent to the price of his children's shoes. It will yield a profit to the butchers only—the last man who needs it. The movement is injudicious from beginning to end—in every form and phase. Pray stop it before it sees light. Such movements as this for protection will protect the Republican Party into a speedy retirement.

Yours, hastily,

JAMES G. BLAINE.

Our brief is signed by nearly all the sole-leather tanners of the United States with the exception of the packer tanners, and we all agree so thoroughly with Mr. Blaine and believe so strongly that free hides are vital to the existence of the independent sole-leather tanner and for the best interests of the shoe-wearing public that we are prepared to concede free sole leather in order to secure free hides.

The brief sets forth in detail the arguments for free hides, and we respectfully submit it for your consideration.

(The brief referred to is as follows:)

WHY HIDES SHOULD REMAIN ON THE FREE LIST.

Individuals and firms engaged in the tanning of sole and belting leathers in the United States respectfully submit, and beg your careful consideration of, the following memorandum in opposition to the proposal to place a duty on the importation of cattle hides. We believe the facts stated to be incontrovertible and that, from every viewpoint, they clearly demonstrate that a duty on hides is in total conflict with the theory and purpose of a tariff bill and that such a duty would result in a very serious injury and burden not only to the independent sole-leather tanners of the country but to the entire people of the United States. We believe so strongly that free hides are absolutely necessary to the life of the independent sole-leather tanner in the United States that we are prepared to accept free leather if necessary to secure free hides.

The proposal to place a duty on the importation of hides in the pending tariff bill is stated to be based in minor part on the necessity of raising revenue, but the major and accentuated claim is that it is in aid of and protection to the farmer. The necessity of procuring revenue and of affording aid and protection to the farmer is apparent and admitted; but we believe that the placing of a duty on the importation of hides will not produce any material amount of revenue and will result in a disadvantage and not an advantage to the farmer. We confidently believe that it is clearly demonstrable that—

I. A duty on hides will produce only a negligible amount of revenue, which will be many times offset by a decrease in revenue from income taxation.

II. A duty on hides will not result in any perceptible added price to the farmer for his cattle, but will result in a largely increased price which he will have to pay for shoes, harness, and all other leather products.

III. A duty on hides will seriously and injuriously affect our commerce with foreign nations, particularly those of South America, and largely decrease our export trade.

IV. A duty on hides will not "encourage the industries of the United States," but will tend to destroy the business of the independent sole-leather tanners and throw the control of the tanning and shoe industry of the country into the control of the large packers.

V. A duty on hides will inflict on the American public an increase in the cost of shoes alone of upward of \$100,000,000 annually in addition to the increased cost of all other leather products.

I. A DUTY ON HIDES WILL PRODUCE ONLY A NEGLIGIBLE AMOUNT OF REVENUE, WHICH WILL BE MANY TIMES OFFSET BY A DECREASE IN REVENUE FROM INCOME TAXATION.

Between 1898 and 1908 when there was, under the Dingley bill, a duty on hides of 15 per cent ad valorem, the largest amount of revenue to the Government in any year from this duty was approximately \$2,600,000. The average for the years 1902-1907 was \$1,822,375.07. Deducting from these amounts the cost of the collection of the duty and expenses of adjusting the drawbacks, left a net revenue to the Government of but a small amount. The proposers of a duty on hides contend, however, that the amount of revenue would now be largely increased, but their contention is based on the value of the imports during the last few years. Those years were absolutely abnormal. The vastly increased demands for leather resulting from the war requirements caused a great increase in the number of hides imported, but—of greater effect on the value of importations—the prices which the American tanner had to pay for hides soared to a ruinous figure, with a resulting loss to him of a staggering amount. Such excessive importations and suicidal prices for hides will not be repeated—not at least while the present generation is in charge of the tanning industry and retains the memory of these staggering losses. The amount of revenue which would result from a 15 per cent duty on hides is entirely problematical, but it is clearly fallacious to compute it on the basis of the wholly abnormal values of importations during recent years. With the burden to the American leather industry of a duty on hides, and the consequent advantage to the tanners in free hide nations, the inevitable result will be to largely reduce, if not to destroy, the export of leather by the United States and to greatly diminish the manufacture of leather in this country, and therefore the importation of hides. Foreign countries, with free hides, cheaper labor costs, and advantage in shipping, will be able to throw into this country leather at prices with which we can not compete and in sufficient quantities to seriously further affect the leather-manufacturing industry here and thereby further lessen the need to import hides. The result of the decrease in the volume and profits in the leather industry in this country will be reflected in a decrease in earnings and consequently in income and other taxes many times any possible amount of revenue which could be derived from the proposed duty.

II. A DUTY ON HIDES WILL NOT RESULT IN ANY PERCEPTIBLE ADDED PRICE TO THE FARMER FOR HIS CATTLE, BUT WILL RESULT IN A LARGELY INCREASED PRICE WHICH HE WILL HAVE TO PAY FOR SHOES, HARNESS, AND ALL OTHER LEATHER PRODUCTS.

It is admitted that the farmer is entitled to and needs protection, but it should be clear and certain that the measures proposed to be adopted will really aid and protect him, and that they are not adopted under the guise of protection to the farmer when really for some ulterior purpose.

We believe that it is clearly established that a duty on the importation of hides will not increase in any appreciable degree the amount which the farmer receives for his cattle, but that, on the other hand, it will result in a largely increased price to be paid by the farmer for shoes, harness and all other leather articles which he uses. Hides are unquestionably a mere by-product. Cattle are raised for dairy or beef values. They are not raised for the production of hides or with any regard to the quality or value of the hides. This is evidenced by the fact that the more desirable classes of hides come from the range cattle and not from the farm fed and fattened animals which produce the best results from a dairy and beef and selling value. If the value of the hides or the amount he was to receive for the hide was in the mind of the farmer or the cattleman, the farmer would not by poor taking off of the hide so injure the hide of his farm cattle as to greatly lessen their value nor would the cattleman so generally destroy considerable portions of the best part of the hides of his cattle by the use of the branding iron. It is clearly recognized by both the farmer and the cattleman that the price received by them for cattle is determined by the beef value without any regard whatever for the character of the hide. The packer buyer does not examine the live cattle for brands on the hide. Two steers of equal conformation and weight and beef yield, one slightly branded and the other badly branded, will bring

the same price. The hide goes with the steer and takes the price per pound paid for the estimated beef yield of the animal. The price for cattle is determined by the current demand for beef—it is not determined by the demand for hides and is often in direct opposition to such demand.

It is of record in connection with the hearings on this bill before the Ways and Means Committee that a representative of one of the largest packers stated: "I agree with you that the proposed duty on hides would have very little effect on live stock values; it would have some effect, but when spread over the weight of a live animal, the difference per pound of animal would not amount to much."

In an address before the members of the United States Chamber of Commerce at their convention at Atlantic City in the latter part of April, 1921, Mr. Harvey J. Sconce, a prominent farmer from the State of Illinois, who had been sent as a representative of the Department of Agriculture to Europe with a view of ascertaining what action by our Government would result in the greatest benefit to the farmers of this country, said:

"While many agricultural products should have adequate protection, yet we do not desire that a low general tariff be placed on practically all articles. This fact is illustrated by two commodities—wool and hides. Wool as it comes from the animal constitutes about 35 per cent of the value of the sheep at present market prices, while hides represent only about 5 per cent of the value of the steer. As the man who produces the sheep depends on the fleece for a great part of his profit, yet the man who produces the cattle does not depend on the price obtained from the hide to any comparable extent. The production of hides is not an industry in itself to the extent that the production of wool is an industry, therefore while wool should be protected against foreign importation by placing a proper tariff against it, yet hides and skins could be better admitted free as they play so unimportant a part in the production of the animal or the ultimate returns to the producer."

The farmer is a large consumer of leather—shoes, harness, belting and many miscellaneous articles. Those contending for a duty on hides estimated that the resultant benefit to the farmer will be as much as \$34,000,000 per annum. We contend that the farmer would not get any appreciable part of this amount—it would stop with the packer. But supposing, solely for the purpose of demonstration, that the farmer did get this entire amount of \$34,000,000 he would still be a loser by any such duty. Estimates based on statements of the Tariff Commission are that the increased cost per pair of shoes would be 40 cents. It is estimated that there are 6,800,000 farm operatives in the United States with an average family of 4.5 persons, each of whom uses 2½ pairs of shoes a year. At an increased cost of 40 cents a pair this would result in an increased price paid by the farmer for shoes alone of \$30,600,000. Add to this the increased cost of harness, belting, automobile leather and the many other articles used on a farm composed in whole or in part of leather estimated at \$8,000,000, and it is wholly clear that instead of benefiting by a duty the farmer would be the loser by over four and one-half million dollars each year.

III. A DUTY ON HIDES WILL SERIOUSLY AND INJURIOUSLY AFFECT OUR COMMERCE WITH FOREIGN NATIONS, PARTICULARLY WITH THOSE OF SOUTH AMERICA, AND LARGELY DECREASE OUR EXPORT TRADE.

The extreme importance and necessity of developing and fostering our foreign trade in every possible way is acutely recognized by all financial, industrial and agricultural interests. The increasing productivity of the country and our larger part in the finances of all major countries make it essential that every possible channel of foreign trade shall be opened and broadened and deepened. Among all the foreign countries those of South America afford the largest present opportunity of development in our export trade.

The imposition of import duties which seriously restrict our ability to purchase raw materials forming an important part of the export of foreign countries must necessarily seriously lessen our exports to those countries. Except during the abnormal conditions due to the war, hides are purchased in all parts of the world. Under the present existing conditions substantially all of the importations of hides are from South American countries, of whose exports they form a very large and important part. The imposition of a duty on hides will result in diverting them to European nations, not only because of the inability of the American tanner to compete in their purchase by reason of the added burden of the duty but also because the hide producing countries will naturally and inevitably prefer to sell to the importers of those nations

which admit hides free of duty. These hide exporting nations will not willingly endure the restrictions and the "red tape" involved in complying with custom regulations. The buyers of nations admitting hides free will be in a position of advantage with which the American tanner will not be able to compete.

If we will not or can not buy from foreign nations we can not expect to sell to them. A duty on hides, which form so important a part of the exports of foreign countries, will seriously affect our ability to sell to those nations the products of our factories and fields. For years we have made constant effort to cultivate friendly and close political and commercial relations with our South American neighbors. Our success was not pronounced. England and later Germany held the controlling influence. In the recent cataclysmic years opportunity came to us; our neighbors to the south accepted—and valued—"dollar exchange." Are we, recklessly, to jeopardize our so recently gained advantage? Will we by taxing hides—with an internal loss instead of gain to our own people—openly affront and offend our South American neighbors? They can—doubtless will—repeat to us the words of James G. Blaine: "It is a slap in the face to the South Americans, with whom we are trying to enlarge our trade."

IV. A DUTY ON HIDES WILL NOT "ENCOURAGE THE INDUSTRIES OF THE UNITED STATES" BUT WILL TEND TO DESTROY THE BUSINESS OF THE INDEPENDENT TANNERS AND THROW THE CONTROL OF THE TANNING AND SHOE INDUSTRY OF THE COUNTRY INTO THE CONTROL OF THE LARGE PACKERS.

It is established that the production of domestic hides is entirely insufficient for the necessities of the tanning industry in this country. The percentage of imported hides was, in 1913, 47.5; in 1916, 45.8, and in 1917, 44.7. Statistics for subsequent years are not available. The American tanner must, therefore, import substantially half of his present necessities in hides. The imposition of any duty whatever places upon him a serious handicap in his competitive buying of foreign hides with the tanners of other nations. It is not only the amount of the duty imposed, but the fact that the dealers in hides in foreign countries will not willingly submit to the irritating requirements of our customs regulations and will give preference always to the purchasers of those nations admitting hides free of duty and free of red tape.

Of the domestic supply of hides approximately 65 per cent are produced by the packers and in this percentage is represented a very much higher percentage of the heavy or desirable classes of hides. The control of the domestic hide market—as well as of the cattle market—is admittedly securely in the hands of the packers. If a duty is placed on imported hides the inevitable result will be the raising of prices of domestic hides by approximately the amount of the duty. During recent years the packers have entered very extensively into the tanning industry, which gives them an added and most effective control over the price of hides. Unless they can obtain the price they demand, they can tan the hide. The independent sole-leather tanner of domestic hides must pay the packer's price and is always subject, in the sale of his finished leather, to the competition of the tanning packer who absolutely controls the supply and price of his own raw material.

A very comprehensive examination and report on the leather and shoe industries was made by the Federal Trade Commission under date of August 21, 1919. One of the concluding statements of that report is as follows:

"This situation raises a serious question as to how far this extensive encroachment on a basic industry in which they (the packers) virtually control the raw material is safe for the public interest. They can place every tanner using the more desirable grades of hides, particularly the heavier hides, in a position of paying the price that they may ask or of taking the risk of encountering further competition in the leather industry from them. They may not be able to put a tanner out of business at once, but they have the power to do it if they are so disposed."

If the situation then raised a serious question, the situation now raises a very greatly more serious question. At the time such report was made the large packers were tanning, either in their own plants or on contract, possibly 35 per cent of the sole leather produced. At the present time it is believed that, stated conservatively, they are producing 60 per cent of the sole leather. With their control of hides (the raw material of the tanning industry), their almost unlimited capital resources, their commanding banking facilities and their extensive ramifications, they are to-day in a position which is actually threatening the life of the independent sole leather tanner. This situation they

have secured primarily through their control of the domestic hide market and their very large percentage of influence in the hide markets of South America. This they have done without the aid of a duty on the importation of foreign hides. If there is to be added to the present burden and disadvantage of the independent tanner the further burden and disadvantage of an import duty, his struggle for an independent existence will be hard indeed with but one probable end,—his complete elimination and the absolute domination of the tanning industry of the United States by the packing interests. That accomplished, it is but a natural and short step further to the control of the shoe manufacturing industry by the packers.

The American tanner believes that a reciprocal duty should be placed on leather to protect against the dumping of foreign leather in this country; but so absolutely essential does the independent sole leather tanner regard free hides as necessary to his continued existence that to continue to have free hides he will accept free leather.

While we do not assume authority to speak for the shoe manufacturers we are informed that the manufacturers of more than half of the total production of shoes are so concerned over the possible domination by the packer of the tanning industry and the probable extension of his activities into the manufacture of shoes, that they will waive any duty on shoes to insure free hides.

V. A DUTY ON HIDES WILL INFLICT ON THE AMERICAN PUBLIC AN INCREASE IN THE COST ON SHOES ALONE OF UPWARD OF \$100,000,000, IN ADDITION TO THE INCREASED COSTS OF ALL OTHER LEATHER PRODUCTS.

Every man, woman, and child in the United States will be affected by a duty on hides by reason of the material increase which must necessarily result in the price of shoes. Congressman Willis C. Hawley, of Oregon, in his speech in the House of Representatives in support of free hides, stated that the increased cost to the American public of the proposed duty on hides would be \$122,000,000 annually, basing his statement on reports of the Tariff Commission. It is believed that these estimates are an understatement rather than an overstatement of the increased cost of shoes to the public which would necessarily result from the proposed duty on hides. The American people are strenuously demanding a decrease in the cost of living. They will surely make their resentment felt if they are subjected to an additional expense of upwards of \$100,000,000 a year. There is to the American people absolutely no off-setting or compensating advantage to this heavy increased burden.

CONCLUSION.

We have endeavored in this memorandum to state briefly only, these few major reasons why a duty should not be imposed on hides, omitting the great number of other convincing arguments and facts which are available in support and elaboration of the points stated. We earnestly urge careful reading and consideration of this brief. We confidently hope and believe that Congress will refuse to accede to the proposal to place a duty on hides which would not result in appreciable advantage to the farmer or the production of any material amount of revenue, but which would inevitably lessen our foreign commerce, result in serious injury to—if not the destruction of—a large and important independent industry, and which would impose a very heavy burden of expense on the entire American people without any possible compensating advantage.

Respectfully submitted.

N. R. Allen's Sons Co.; Alpena Leather Corporation; The American Oak Leather Co.; F. W. & F. Carlisle Co.; Central Leather Co.; Cover & Co.; The Deford Co.; Devlin Bros.; Endicott-Johnson Corporation; Gensemer & Salen; Graton & Knight Manufacturing Co.; Haffner Bros. Co.; J. W. & A. P. Howard Co.; Frank W. Hunt & Co.; Kistler Leather Co.; Kistler, Lesh & Co.; Kullman, Salz & Co.; The J. H. Ladew Co.; George Laub's Sons; Linden Tanning Co.; McAdoo & Allen; W. H. McElwain Co.; C. Moench & Sons Co.; Moffat, Cover & Co.; Penn Leather Co.; Pfister & Vogel Leather Co.; Proctor, Ellison & Co.; Hans Rees' Sons; J. E. Rhoads & Sons; Charles A. Schieren & Co.; C. C. Smoot & Sons Co.; Taber-Wheeler Co.; Toxaway Tanning Co.; Transylvania Tanning Co.; The United States Leather Co.; Van-Dyne-Hungerford Co.; George C. Vaughan; Charles S. Walton & Co. (Inc.); Wilder & Co.; G. F. Zeller's Sons.

STATEMENT OF CHARLES H. JONES, OF THE COMMONWEALTH SHOE & LEATHER CO., WHITMAN, MASS., REPRESENTING THE NATIONAL BOOT AND SHOE MANUFACTURERS' ASSOCIATION OF THE UNITED STATES.

Mr. JONES. Mr. Chairman and gentlemen, I am speaking as a representative of all the different organizations of shoe manufacturers in the country in relation to hides in their bearing on the shoe tariff, and I would like to indorse what Mr. Kent has said about the requirement of a duty on the basis, of course, that our industry asks for protection on the difference in labor costs and things like that.

We feel that the Payne-Aldrich tariff was the most carefully considered and the best-balanced bill in relation to the shoe and leather schedules that has been passed, in that more attention was given to these schedules at that time, and we would be very glad indeed to see the Payne-Aldrich schedules reenacted at this time, but we have been told, in accordance with the suggestion you just made, that probably we would not be able to get it; that the farmer was entitled to equal protection and would probably have to get it, and it is from that point of view that I want to talk to you just a few moments, because if a duty is imposed on hides there are certain things that would follow, and I think it worth while to bring them to your attention so that you might consider the things that would inevitably follow the passage of a duty on hides.

The first thing, I think, we all would notice would be the reduction in the importation of hides. That is the natural result and would be the result in this case, and it was the result when the duty was enforced before.

Senator CURTIS. We hope that will be the result, anyhow.

Mr. JONES. I would like to answer that thought. That does not mean there would be more domestic hides used, because all we have now are used, but it means that the manufacture of leather would decrease.

Senator CURTIS. Out in our country hides are not being taken to market at all.

Mr. JONES. That is very true, but that has nothing whatever to do with the tariff.

Senator CURTIS. We beg to differ with you.

Mr. JONES. I am only trying to speak of the shoe manufacturer, and I have been in business for over 50 years and have watched these things, and I think I know something about how they operate. The reason hides are not being brought to the market and are selling in the market at such low prices is because there is no demand for hides. It has nothing whatever to do with the tariff. It is a business situation.

Senator WATSON. How many hides are imported in a year?

Mr. JONES. I can not give you the figures.

Senator WATSON. Well, a large quantity?

Mr. JONES. Yes.

Senator CURTIS. Millions of pounds.

Senator WATSON. Well, whatever quantity there are imported furnish competition with American hides?

Mr. JONES. They fill a different purpose. Most of the hides coming here are Argentine hides, but their place would be taken by

domestic hides, and the domestic hides are sold up. There is no surplus of a certain kind.

Senator McCUMBER. If I understand you, no amount of duty on hides would make a difference on the price of hides?

Mr. JONES. No, sir. I will clear that up. The tariff on hides does not affect the market price of hides, except that it adds to the market price of hides in this country whatever the tariff is. That is to say, hides fluctuate in price from causes that have nothing whatever to do with the tariff. The fluctuation in the price of hides in the last 11 years has been from 20 cents for good heavy steer hides up to 52 cents.

Senator McCUMBER. If it does not make any difference in the price you would not care for any differential growing out of the fact that we did place a duty on hides?

Senator CURTIS. Let me put in here, cattle hides for the year 1920, 4,359,000,000 pounds of the value of \$151,000,000, in round numbers, were imported.

Mr. JONES. Yes sir.

Senator WATSON. That did not make a bit of difference in the price of the American hides did it?

Mr. JONES. No, sir.

Senator WATSON. It did not?

Mr. JONES. No, sir; because the prices of hides are not made in America. Hides are a world-wide article of commerce.

Senator WATSON. Is the price of shoes made in America?

Mr. JONES. On American shoes, yes.

Senator WATSON. What is the difference between shoes and hides?

Mr. JONES. Because there are hide markets in Liverpool, there are hide markets in Germany, there are hide markets in Buenos Aires, very important markets, and the market price of hides is fixed in those markets.

Senator WATSON. That is very true, but do you mean that \$151,000,000 worth of hides coming into this country does not affect the price of hides in the United States?

Mr. JONES. I do mean to say that.

Senator WATSON. Does not affect it at all?

Mr. JONES. I do not see how it could.

Senator McCUMBER. We do not produce all the hides we use in the United States, do we?

Mr. JONES. No, sir; we produce about 55 per cent of them.

Senator McCUMBER. Then, you think, even if there was a prohibitory duty, it would not affect the value of the home product?

Senator WATSON. That is to say, if we put the tariff on hides so high that there would not be a single hide brought into the United States, that would not raise the price of hides in the United States a single cent?

Mr. JONES. That is a different question, if it is to be so high that it is prohibitory.

Senator WATSON. That is your principle, that it does not make any difference how many come in, or whether any come in at all, the price of American hides is not affected?

Mr. JONES. I am talking on the basis of any experience we have ever had. Fifteen per cent is as much as we have ever had. If

you put on a prohibitive tariff it might be you would force the price of American hides higher.

Senator WATSON. Then we would enhance the prices of American hides, because the demand for them would be greater.

Mr. JONES. Yes; but do not forget the fact that a large amount of foreign hides that come in here are made into leather and the leather exported.

Senator WATSON. I have no doubt about that.

Mr. JONES. If you put a 50 per cent duty on you will stop the importation and the exportation of leather made from imported hides.

Senator CURTIS. But the tariff provides if manufactured and exported the duty is refunded.

Mr. JONES. Ninety-five per cent is refunded, but don't you believe also if a duty is put on hides it checks the exportation of leather? Do you think men are going through all that machinery and red tape to try and compete with foreign manufacturers who do not have to pay the duty?

Senator CURTIS. They have been doing it.

Mr. JONES. Yes; but not to a large extent. What you will find to be the fact is that the moment the duty is put on the hides the importation of hides will decrease. When it was in effect, even from 1897 to 1909, the importation of foreign hides was gradually reduced, and the last year the duty was on there were 28,000,000 pounds less imported than there were the year it was put on, and that was not because business was poor, because other kinds of hides that were free increased in that time 64,000,000 pounds, so that the tax on hides just checked the importation of hides, and if you were in business and knew the method by which those things were handled you would see that it was inevitable.

Senator WATSON. We have not any doubt about that. If a tariff is put on an article it reduces the importation of that article, but it stimulates the home production.

Mr. JONES. Can you stimulate the production of hides by a tariff?

Senator WATSON. Of course, you can increase the value of the hide.

Mr. JONES. I did not say that. I said what you said, stimulate the home production.

Senator WATSON. I say you can increase the production of the thing by enhancing the value of the hide. You add to the value of the steer that produces the hide. Is there any doubt about that?

Mr. JONES. None at all.

Senator WATSON. That is precisely the object of the tariff on hides.

Senator DILLINGHAM. Would it not be well to let this witness go on?

Mr. JONES. Let me finish my story, and I will take all the time you gentlemen will give me.

Senator WATSON. Senator Dillingham is right about that. We have a rule that we will not argue with a witness and we have transgressed our own rule, because you are so good natured.

Mr. JONES. All I claimed and all I stated was that it will reduce the importation of hides. I think we are all agreed on that. That is not a desirable thing to do, in my opinion, because it reduces the employment of labor, in the first place; it reduces the employment

of American capital in a business enterprise, and it does further than that—it deprives the American people of a certain amount of useful leather goods they would like to have.

Consequently, the first result of it would not be particularly useful. Then the second result of it would be this: It cheapens the leather of foreigners in comparison with our own leather. That is to say, it puts the foreign manufacturer in a position to undersell us. He gets his leather, even made in our own tanneries, less than we can get it.

The Senator spoke of the drawback that is given. When the tariff was in effect before foreigners came here to buy sole leather, and dealers here would sell that sole leather to me at 23 cents and sell it to the foreigners at 20 cents, and upper leather that we would get for 30 cents they would sell to the foreigners at 28 cents. When we found out they were doing that we said, "How about it? Isn't our money as good as the money of these people?" And the reply was, "Yes, but we get a drawback from the Government." Therefore, the foreigner got the leather made in our own tanneries at less than we got it. We do not think that is a desirable result. I do not see how that helps American industry.

The next thing it will do if the foreigner gets his leather at less than we get ours—and he is obliged to under this law—he can make his shoes for less than we can make ours, and if he can make his shoes for less than the American manufacturer, the American manufacturer is handicapped instantly in his effort to export shoes. Some of us have built up a very substantial business in exporting to South America and Latin American countries and Cuba, and they owe us to-day a great many hundreds of thousands of dollars for shoes, and we are obliged under the circumstances to bring pressure to bear to get some money. They do not seem to want to pay just now—if they can get the foreign shoe at a less price our export business is gone, because there is that little feeling of friction, and it results from the pressure to make a man do his part and pay his bills.

Foreigners can not send their goods to this country as well as we can make them because our style situation is difficult for him to handle, but he can handle the style situation in foreign countries without any difficulty, because the business was formerly England's and later Germany's, and we only got into it in the last few years. Therefore, a duty on hides would probably restrict our export business so we would simply be obliged to quit it altogether.

Now, there is just one more thing—if hides are not imported, of course, it tends to make leather scarce and to some extent raise the price of leather; that is, a tanner will not undertake—there are certain kinds of foreign hides that make better and more suitable leather than the domestic hides. If a tanner can not get the kind of hide he wants he simply will not make the leather, and we will have to take a substitute, something not so good.

This industry has been built up because the markets of the world have been open to us, and we have done one thing that perhaps you gentlemen do not appreciate—I know a good many have criticized the prices of our shoes, as if the American shoemaker had not treated the public fairly. I want to say this, that the tariff on shoes has never cost the American people one cent. Since the Revolutionary

War shoes have been made in this country as cheap and as good as in any country of the world, and we have paid our labor in the meantime standard American wages.

Senator McCUMBER. If you can make them as cheaply, what do you care about protection?

Mr. JONES. I do not care about protection.

Senator McCUMBER. Then you do not care about any duty?

Mr. JONES. I do not, personally. Our trade as a whole does not, either.

As long as that matter has been brought up, I will say this—

Senator McCUMBER (interposing). Mr. Kent desired to have protection.

Mr. JONES. He stated what was the fair protective basis for a tariff on boots and shoes, and that was free hides and 10 or 15 per cent on finished shoes.

Now, it has been suggested several times that we can not have that. Now, I asked our trade to decide what it cared to do, because I had heard of that some time ago, and I asked them, "Do you want to have free shoes and free leather and free hides or do you want a tax on hides, a tax on leather, and a tax on shoes?" and every organization voted with tremendous majorities that they would rather have everything free. In other words, a tax on hides is going to ruin us, and we say it does not do anybody any good. Of course, I expect that will be contradicted. You will say it will do the farmer good. I have yet to find the farmer who claims it does him any good. I have letters right here from all the representative farmers I know in this country, and they do not care for it, do not want it, it does not mean anything to them, and I have not yet seen a farmer before you gentlemen who said he wanted a duty on hides.

Senator CURTIS. There was one here a few days ago.

Senator McCUMBER. The farmer who sells one hide in a year or two hides in a year would not care, but if he is raising stock I think he would give you an entirely different answer.

Mr. JONES. Let me tell you, as long as we have taken it up, that when we were before the Ways and Means Committee they said the farmers are demanding a duty on hides. I said, "Is that so? I do not see how it will help them." They said they think it will help them. So I wrote the president of the National Dairy Association, because I own a farm and am a farmer myself and know him, and I wrote Mr. Skinner and asked him if he knew the feeling of the farmers on the subject, and he replied to me under date of June 5, 1921:

I have your favor of the 3d instant.

It is possibly not known to you that my association for 25 years was with the class of farmers and stockmen who do business through the stock yards of the country, and as a result I have for many years enjoyed a very large acquaintance with this class of people and number many of them among my friends of to-day. I do not believe, however, that it will be necessary for me to interview these people on the subject that you cover in your letter, for the reason that I know their attitude toward the matter.

The average man who ships stock to market is passive on a matter of this kind. He recognizes that what the packer takes out of the animal for oleomargarine or what he gets for the hide makes no difference to what he pays for the bullock on foot, yet their resistance is not very great, since it might be construed as opposing the powers that they have to sell to.

Senator McCUMBER. That gentleman seems to think he would sell a steer without a hide at the same price he would get for one with the hide on.

Mr. JONES. Not at all, sir; that is not the situation.

Senator McCUMBER. That seems to be his view.

Mr. JONES. No; it is not.

Senator McCUMBER. The hide does not make any difference.

Mr. JONES. That is not the point. The packer allows a certain percentage for the value of the hides.

Mr. Chairman, the United States selected a very prominent farmer and sent him abroad to ascertain conditions, and when he came home he made an address before the national association. This farmer is Harvey J. Sconee. He is a prominent farmer and one of the most representative men I know anywhere in the farming industry, and he says, in an address he made, that the farmers are willing that hides be put on the free list provided the other products he produces are properly protected.

The price of hides is very good to-day. It has gone up steadily for the last four months.

There are two farmers. This Mr. Skinner advised me if I wanted to know the feeling of the farmers to talk to some of the farmers' organizations, and I immediately got in touch with the Federated Farm Bureaus, and I called on their president. I interviewed him several times. I submitted to him lots of facts and figures which he turned over to his research department, and he wrote me that my figures were correct, that they had found that I was conservative in my statement, and while I understand they have not made their appearance yet or filed a brief, they are not going to ask for a duty on hides at all.

Now, the fact is, as I understand it, the only people who are really insistent on a duty on hides are the cattle raisers whose whole industry is the production of cattle, and not the farmers proper. I think we ought to discriminate, because I have searched with a good deal of patience to find the farmers' representatives that wanted a duty on hides, and we have not been able to find them.

Senator GOODING. Do you know any farm organization that is asking for free hides?

Mr. JONES. No; but they are not asking for a duty on hides.

Senator GOODING. I understand they are.

Mr. JONES. I think you are mistaken, Senator. If we should insist on a duty on shoes, I think they would ask for a duty on hides, but I want to say to this committee that if they give us free hides, they can do what they like with the duty on shoes; that we consider hides a matter of life and death to this industry.

Senator GOODING. You would be satisfied with a compensatory duty, would you not, if we put a duty on hides?

Mr. JONES. No, sir; there is no such thing as compensatory duty. You can not compensate us for a duty on hides.

Senator GOODING. I do not know why you can not.

Mr. JONES. I should like to tell you.

Senator GOODING. I do not care to take up the time. It is late.

Mr. JONES. I want to tell the committee just that one thing. The reason the shoe manufacturers are so unalterably opposed to a duty

on hides is this: At the present time the packers do a large part of the tanning of the country; a large part; some say fully 60 per cent of the sole leather and a large part of the upper leather. If the duty is put on hides, the packers do not have it to pay because they do not import hides. The independent tanner has to pay, and it amounts to a discrimination of 15 per cent in favor of the packer tanner as against the independent tanner, and the independent tanner can not stand it and live. If anyone can point out any error in that statement, or any flaws in the reasoning, I would like to hear it, because we have been watching it with great care since 1897.

Senator GOODING. The packers would absorb it all, you say?

Mr. JONES. Yes, sir.

Senator GOODING. They are in the leather business besides?

Mr. JONES. Yes, sir. There has never been anything to show that the packer who owns the hide hands the money he gets for it back to the man who raises the stock. Every man I have ever seen—and I have consulted a lot of them—tells me the packer does not make any difference on that.

Senator GOODING. I can not agree with you, but I do not care to take up the time.

There is one question I would like to ask, Mr. Chairman, if this gentleman has the conversion cost of a pair of shoes; I would like to have it in the record.

Mr. JONES. The conversion cost?

Senator GOODING. Yes; the conversion cost.

Mr. JONES. I do not know as I know just what you mean by the conversion cost.

Senator GOODING. I mean from the hide to the finished shoe.

Mr. JONES. No, sir; I haven't that. I have the cost of shoes at various times.

Senator GOODING. That does not do any good. What I want is the conversion cost from the hide to the shoe.

Mr. JONES. That I can not give you, because we do not know that; but I can show you what duty does to the shoe.

Senator McCUMBER. Let us finish quickly, as we have nine other witnesses.

Mr. JONES. They have led me astray, but I want to say if it is a fact, and I do not believe it can be controverted, that the packer does not pay any duty and owns the hide at the cost of it to himself on the beef animal, which is less than the price of the hide always—if he is protected by a 15 per cent duty the other man has to pay he will not only tan 60 per cent of the sole leather, but he will tan it all, and the minute he does that the independent competitive character of our business, which has produced the results that we have pointed out that have made this industry what it is and enabled it to supply the people of this country with shoes at lower prices than they could get them abroad without any reduction in cost of labor or anything of that kind—we have paid American labor American wages, and given the people cheap shoes and have done it because we were independent and competitive. Now if the packers can tan all the leather they can make all the shoes and the competitive character of the industry is wiped out.

Senator McCUMBER. Your argument is that the packers control the whole situation and there is no escape for the farmer from their clutches?

Mr. JONES. There is if you do not put the duty on, but if you put the duty on there is no escape, because if any man can get his raw material at 15 per cent less than other men he can beat them, and that is the advantage it gives the packer, 15 per cent less than the man who is not a packer can get it—I mean if you put on 15 per cent duty.

Senator McCUMBER. I see. I do not wish to argue the case now. Is that all, Mr. Jones?

Mr. JONES. Yes.

BRIEF OF CHARLES H. JONES, REPRESENTING NATIONAL BOOT AND SHOE MANUFACTURERS' ASSOCIATION.

The Payne-Aldrich tariff act placed hides on the free list and levied an import duty of 10 per cent ad valorem on (section 450) "boots and shoes made wholly or in chief value of leather made from cattle hides and cattle skins of whatever weight of cattle of the bovine species, including calf skins"; and an import duty of 15 per cent on (section 451) "boots and shoes made of leather."

The duty of 10 per cent applies in general to men's shoes; the duty of 15 per cent applies to women's shoes.

These sections were repealed in the Underwood tariff law, and boots and shoes were placed upon the free list, item 530.

PROPOSED TAX OF 15 PER CENT ON HIDES.

A tax of this kind has been proposed whenever a tariff bill has been under consideration since the Civil War, but has never received recognition from any of the prominent protectionists who have been responsible for the framing of the protective tariff bills under which the industries of this country have been created and developed. Messrs. Blaine, Dingley, McKinley, and Payne are all on record as opposing this duty, and refusing it a place in the bills which they have prepared. No Ways and Means Committees has ever included a tax of this sort in a bill which they reported. This, notwithstanding strong pressure has continually been brought to bear upon them to establish such a tax.

So far as we have been able to learn, no country where industries are highly developed and manufacturing is protected has ever imposed such a tax as this.

The tax found its place in the Dingley bill through the insistent demand of certain Senators from the far western States, and was conceded to them, we are informed and believe, on a trading basis, rather than as a proper protective measure.

PURPOSE OF PROTECTIVE TAXES.

You will concede that a tax should not be levied in these days when every man in the country who has a cent is tax weary, without a definite and proper purpose. It should first protect some useful American industry, should insure to some American workman employment at a reasonable rate of wages, or it should produce for our Government much needed revenue. It is easy to show that this tax will do none of these things.

A majority of the members of the organizations which I represent are protectionists and believe in protecting American industries wherever the interests of the public demand such action. We are opposed to this duty, therefore, because the production of hides is not and can not, in its nature, be classed as an industry. Hides are a minor product incident to the production of meat for food. Not one hide more would be produced in consequence of this tariff if levied, and not one single workman would find additional employment.

BENEFIT OF TAX TOO SMALL TO HELP FARMER.

The farmer sells cattle for beef with the hide on, the value of the hide being only about one-fifteenth part of the value of the steer. A duty of 15 per cent on one-fifteenth the value of the animal he sells means nothing in the way of protection.

During the 12 years that this tax was in effect the net revenue to the Government from this source was inconsiderable, amounting to between one and two million dollars per year, but even this small amount was likely to be reduced as tanners and others importing hides availed themselves of the drawback privileges which necessarily accompanied it and collected increasing amounts from the Government in drawbacks on the leather which they manufactured from imported hides.

We assume, of course, those who propose to levy this tax intend that some suitable drawback provision shall be established. It is unthinkable that anyone would wantonly destroy export business in leather built up by years of intelligent effort. On that assumption we proceed. The avowed purpose of this duty is to increase the value and raise the price of hides. This result it would undoubtedly accomplish.

INCREASED COST OF LEATHER.

In a competitive industry the increased cost of raw material must be reflected in the increased cost of the finished product. Leather of all kinds made from dutiable hides must cost more on account of the duty. Leather enters into the needs of the people in such a large way for footwear, harnesses, belting, bags and suit cases, furniture covering, etc., that the increase will have to be paid by all classes, but it falls, so far as shoes are concerned, most heavily on the farmer, mechanic, and laborer who wear heavy shoes, made both in upper and sole from leather from heavy hides.

INCREASE IN COST OF HEAVY SHOES.

In shoes of this class the increased cost at the factory would be from 10 to 12 cents per pair on the prewar basis of cost. When the shoes reach the consumer through the hands of the various dealers, the increase would necessarily be much more. When you consider all the different commodities for which the farmer would be obliged to pay an increase, it must be obvious that he will be the chief sufferer from this duty, rather than a beneficiary of it.

An estimate made several years ago of the actual cost to the people of this country of their footwear in consequence of the tax on hides, showed that the cost amounted, either in additional price charged or inferior quality provided, to twenty to twenty-four million dollars per annum. The increase in the cost to the people of harness, belting, and leather for every other use to which it is applied could not be accurately ascertained, but it seems fair to assume that it would be as much more for all other uses combined.

If we were approximately correct in these figures (and I believe them conservative) it appears that the Government gets a negligible amount in revenue; no industry is protected; no labor is given employment, but all of the people must contribute to a tax with a very vague and indefinite purpose.

DANGER IN OPERATION.

But this is not all. You gentlemen know full well when you are dealing with the taxing power of a great nation like this you are wielding a two-edged sword. I have no doubt you fully realize your responsibility and I will only suggest what you know full well, that if a tax is unwise and uneconomic in its operation it cuts both ways. We believe this to be such a tax. Let us see how it operates.

If the duty is imposed, leather made in foreign countries where hides are free will cost less than leather made here, and will consequently sell for less. American tanners are obliged to seek a foreign market for a considerable part of their product. To compete with leather made abroad, they must get the drawback allowed by our Government on leather made from imported hides. This drawback reduces the price of leather sold abroad about 2 cents a foot on upper leather and 2 cents a pound on sole leather. This is not a theory, but was the established custom in regard to the price of leather sold for export during the period when hides were taxed. In this way the foreign shoe manufacturer necessarily gets his leather made in our own tanneries a full profit less in price than the American manufacturer can obtain it. Is this tax proposed for the benefit of the foreign manufacturer?

There is no escape from this result. Would you gentlemen like to take the responsibility for a tax that would do that? Again let us look at another phase of its operation.

The shoe industry in this country is perhaps more highly developed and greater in volume than in any other country. Markets for our goods in foreign countries are essential to the full employment of our labor and the full operation of our plants. A considerable export business has been built up. Under this proposed tax the necessity our tanners would be under of selling their leather to foreign manufacturers at less than they could sell it for at home would give our European competitor such an advantage in the cost of his product as would enable him to greatly weaken, if not to destroy, our business abroad, and would effectively prevent any foreign trade development for the future.

I am confident you gentlemen do not desire to produce this result. There is still another result which would prove equally unfortunate. Such a tax would divert foreign hides to free markets. Let me remind you again that this tax is so uneconomic that no country on earth has been unwise enough to impose it, and all other markets would be free.

Hides are a commodity produced, to some extent, in every civilized nation. Thickly populated, highly civilized industrial communities do not and can not produce hides in sufficient quantities to meet their needs for leather. If more hides are required, they must be obtained by going to the countries which produce a surplus, to purchase them. Such countries are the Argentine Federation, Uruguay, Brazil, Mexico, South Africa, India, and any other countries where there is a large area of undeveloped land, where cattle can be raised with limited cost.

HIDES SEEK A FREE MARKET.

The hides produced in these countries are a commodity in world-wide demand, and as I have before pointed out, with prices fixed in the world market. The supply of hides for the world's needs in proportion to the requirements has, during the past twenty years, been very much reduced. Every hide taken off is needed and finds a ready market. Hides, like every other commodity, naturally seek a free market for their sale.

DUTY REDUCES IMPORTS.

When the tariff on hides was in effect from 1897 to 1909, the importation of foreign hides into this country was gradually reduced, about 28,000,000 pounds less per annum being imported at the end of the period than at the beginning. This was not because business was poor, as is shown by the fact that during the same period other hides and skins imported and not taxed increased 64,880,000 pounds. This is a result of great importance, as every hide diverted from this market reduces the amount of leather produced here; reduces the amount of labor and material employed; reduces the product of a staple and essential commodity necessary for the use of the people; operates to increase the price of necessities to all the people; and to the same degree encourages a tanning business in foreign countries; increases the employment of foreign labor and tends to lower the cost to foreign peoples of all commodities made out of leather.

Is this a result that Congress should undertake to accomplish by tariff legislation?

How has it been since 1909, when hides again went upon the free list? The importations have greatly increased; 1908, last year taxed, 98,353,249 pounds; 1909, first year free, 192,252,083 pounds; 1914, normal year, 279,963,488 pounds; 1916, war demand, 434,177,771 pounds.

If these heavy hides continued to come to this country as they are now doing, and as they would naturally continue to do under a free market, and were manufactured here, they would provide a tremendous stimulus to business in these lines. Much other material necessary to the manufacture of shoes would be used in connection with them; much labor would be employed, and manufacturing and industry generally would be greatly increased in volume.

DUTY TENDS TO MAKE LEATHER SCARCE.

As this country is obliged to import from 40 to 45 per cent of all the hides needed here, anything that tends to divert hides to other countries is a direct injury to the tanning industry. Leather sufficient for our needs can not be

produced without the hides. The duty would make it more difficult to obtain the supply, and the production of leather would necessarily be restricted, with the resulting effect upon price and quality of material available for our manufacture.

ENGLAND'S WISE POLICY.

England is fully alive to the importance of retaining all of this business possible in her own hands. The Government loyally cooperates with tanners and merchants to bring about this result. Notice that the freight rate on leather exported from England via English lines to New York is 1 cent per pound, while rate on leather going to England from New York is 2½ cents per pound. Also notice that instead of putting a tax on hides coming into England, she puts a duty on hides and skins exported from India, and claims a drawback of two-thirds the duty when the hides or skins are sold to England or Canada. Her manufacturers are protected by this preferential, while it is now proposed to add to our handicap 15 per cent more. Unless it is your purpose to destroy one of America's foremost industries, this proposal must be thrown out.

In addition to what I have said there is one aspect of this proposal which, to the manufacturer of shoes, is even more serious than anything I have suggested, and to emphasize my point I wish to read to you an extract from a brief filed in opposition to us and in favor of a tax on hides by Mr. S. H. Cowan, of the National Live Stock Association, on December 5, 1908. He stated as follows:

WHAT DIFFERENCE DOES IT MAKE WHO GETS THE BENEFIT?

"The plea is made all the way through for the laboring man, and for the ultimate consumer of shoes and leather, and these gentlemen say that it is only on that account and not for their own profit that they wish the tariff removed. Now, if this is the true object, what difference does it make to them whether the man who slaughters the steer gets the benefit of the tariff or whether the farmer gets it?"

This is a fair question. I think you gentlemen have the right to suspect the sincerity of any group of men who come here unmindful of their own interests and pleading for something for the laboring man or for the public, so I will answer Mr. Cowan's question, and the answer to it is the complete and unanswerable objection to this proposed tax. If it were only a question of whether the farmer or the packer got the benefit of the tax we would not be here to oppose it. All that we have said in opposition we believe we have shown to be true, but there is embodied in this proposed legislation a result so vicious and so far-reaching in its evil consequences that we feel it must be prevented at all costs. I refer to the fact that the packers of this country have become large tanners of their own hides, and the development of their tanning business through the advantage which they have obtained in consequence of the method in which they secure their hides has brought them to the position where they now tan more than 50 per cent of all hides going into shoe leather, and large quantities of upper leather and calfskins as well. In consequence of this situation the morale of the industry is already weakened.

Let me enlarge upon this point briefly. Hides are an important commodity in all the markets of the world, and carry the prices fixed in those markets by the inexorable law of supply and demand. A duty of 15 per cent on hides compels the tanners in this country to pay these world prices plus 15 per cent. This world price, with the duty added, makes the price for hides in this country.

Of the entire yield of hides in this country, 65 per cent are packer hides and 35 per cent are country hides. In some sections, the packers through their collectors, agents, and subsidiaries control practically all the hides taken off. It must be too obvious to admit of discussion, that a very large part of the increased price of domestic hides caused by the duty goes to those who have the hides to sell.

Tanning, as we have stated, such a large proportion of all the hides in the country, and operating as they do in many tanneries, through employees not under the same degree of supervision as when the tanneries were privately owned, the resulting product is of inferior quality, and constantly tends to break down the standards of excellence to which the industry has been accustomed and will tend, in the long run, to become a very substantial item in the cost and value of leather goods in general use throughout the country. In other words, their substantial progress in the control of the industry has not

been brought about because they are better tanners or better merchants, but simply in consequence of their control of the raw material. A tendency like this, which means in the end that the general standards of quality will be lowered instead of improved, is certainly contrary to public policy.

It is our firm belief, and we believe it is capable of mathematical demonstration, that if this tax is imposed, the independent tanning industry in this country will be practically destroyed, that the whole hide product of the country will be either tanned or controlled by the packer; the independent tanner will be a thing of the past. When this is accomplished, there is nothing to prevent their control and domination of the shoe manufacturing industry, and this condition we believe would be nothing less than a national disaster from every disinterested point of view. Mr. Armour was quoted as having said to a tanner some years ago that he proposed to see his hides through to the foot of the wearer, and the developments of the business since that time indicate that they are very busy in bringing about the situation which he forecast.

OPERATIONS OF THE PACKER-TANNER.

Very briefly stated, the situation is this. The packer comes into the possession of his hides when he buys his animals for beef, and the price paid for the hides is, of course, the same as paid for the remainder of the carcass. The price of the complete animal is invariably less than the price of the hide. Consequently, if steers are bringing 12 cents a pound on the hoof, the hide costs the packer 12 cents, while the market price of the hide at that moment may be 16 cents, and the independent tanner must purchase it at 16 cents. If the packer sees fit to charge up these hides to his own tanneries or tanning accounts, he can charge them at any price he sees fit, and the loss, if any, in the price of the hide, may be distributed over the price of the other parts of the animal where competition may not at the moment be so close. Under such conditions, the temptation to manipulate the market is irresistible.

If prices of hides are low and the demand inactive, the packer can dispose of his hides readily to his own tanneries, and stock the tanneries of other tanners who will tan for him at a fixed price per pound. When trade becomes more active and there is a demand for hides, he can put up his price and force his competitor, the independent tanner, to pay materially more than his hides stand him, in his own tanneries. When the leather is finished, he can undersell his competitor and make a round profit on the transaction, while the situation of his competitor, as far as profit is concerned, is hopeless.

Such an operation attracted a great deal of attention among manufacturers and tanners in 1908 and 1909 when the question of the repeal of the duty was being discussed. Following the depression of 1907, during the spring and summer of 1908, the packers had worked large quantities of low-priced hides into their own tanneries, and it was obviously good policy for them to keep the price of hides at the highest possible point to protect the price of leather, which they would shortly have to sell. It was frequently observed by tanners that the packers were operating in the open market whenever hides showed a tendency to weaken in price, with the result that hides steadily advanced to the end of the year. It was not noticed, however, that cattle prices shared in this increase. The result taken from the daily quotations of cattle by the Chicago Farmers and Drovers' Journal and the daily quotations of hides by Chicago Hide and Leather, shows as follows:

Average price of native steers, January to June, inclusive, 1908, per cwt.	\$6.10
Average price of native steer hides to June, inclusive, 1908, per lb.	.1117
Average price of native steers, July to December, 1908, per cwt.	6.00
Average price of native steer hides to December, inclusive, 1908, per lb.	.1569

From this we see that cattle actually declined 10 cents per hundredweight during the year, while hides advanced 4½ cents per pound. If an advance within the year of 40 per cent of the value of the hide produced nothing but a lower price for the animal to the farmer, what can justify the claim that the packer gives the farmer his share of the advanced price of hides? It must be obvious, however, that the packer, with large quantities of leather made from cheap hides, was in position to undersell and make money in competition with any tanners who had been obliged to purchase at the steadily increasing prices. This operation has been repeated or attempted whenever the market has offered a favorable opportunity. That this situation is not merely a possibility, but is an actual and very frequent occurrence, has been demonstrated

many times in the last ten years. To-day the packers own and stock more than 50 per cent of the sole-leather tanning capacity of the country, and many tanneries now in the control of their former owners are operated in normal times so nearly without profit that in dull times they will not operate, but readily accept hides which they tan for the packers on contract, and after this it is generally a question of time when they pass completely into the hands of the packing interests.

REPORT OF FEDERAL TRADE COMMISSION.

The Federal Trade Commission, speaking on the subject, said:

"This situation raises a serious question as to how far this extensive encroachment on a basic industry in which they virtually control the raw material is safe for the public interest. They can place every tanner using the more desirable grades of hides, particularly the heavier hides, in a position of paying the price that they may ask or of taking the risk of encountering further competition in the leather industry from them. They may not be able to put a tanner out of business at once, but they have the power to do it if they are so disposed."

This statement was made, not in relation to the proposed duty, but stated the position of the packer, without any hide duty at all. What would be the situation with the further advantage given them by this tax?

WHO BENEFITS BY THIS TAX?

I have intimated that all of this duty would not, in our judgment, reach the farmer if it were imposed. I may state it even more strongly than that. We believe very little of it would be added to the prices which he obtained for his cattle and we will show some of our reasons for this belief.

In a sense, it is perhaps none of our business where it goes, but the control of the tanning industry by the packers is now such an important feature in the production of leather that if our belief in regard to the result of this tax is correct, if it in reality results in a further advantage to the packer who owns and has for sale the hides on which it is imposed, then the destination of the duty becomes not only a matter of importance but a matter of life and death to this industry.

FARMER THINKS IT WILL HELP HIM.

When we have inquired of members of Congress favoring this bill the reasons for their support, we have been invariably told that the farmer thinks it is going to help him. Is it not fair, in view of all the circumstances, to claim that the farmer, being in great need of assistance, is in somewhat of a panic and is grasping like a drowning man at what is nothing to him in reality but a straw?

When this subject was under discussion in 1908-9, we found among the farmers and cattle raisers a very pronounced opinion—in fact, it seemed to us to be the opinion of a very large majority of them—that the packers were not looking for excuses to pay the raisers a greater price for their stock. It is a weakness in the claim of the farmers that they do not have hides to sell, that they part with their hide when their animal is sold, and the hide, being a very small part of the value of the animal, they are, in a sense, at the mercy of the purchaser. That is, the finish and beef value of the animal are the principal factors in determining the price which the grower receives, and he can not know, neither can the purchaser know, the exact price which the hide will bring, and it was the feeling of these drovers and cattlemen whom we consulted at that time that the packers in making their purchase claimed all the advantage for themselves. That is, if beef was in sharp demand, a sufficient price would be published to attract cattle from the feeders into the stockyards. When the demand eased off, the price was lowered, and any stock that arrived too late to obtain the top price was cut severely; and I think we are all familiar with the fact that there was such an understanding or collusion among the packers as prevented a shipper from taking any appeal from the price offered. That is, if the owner was not satisfied with the price offered by the packer, he had no alternative but to ship his cattle back home and take a ruinous loss in this operation.

PACKER'S PRICE FINAL.

Prices offered for cattle by one buyer were known by all other buyers, and were even telegraphed to other packing-house centers, and it was hopeless for a grower to expect any better price from another bidder. These facts are common knowledge, and point very strongly toward a condition in which the small additional value created by this tariff would increase the profit of the packer on his offal, but would not reach the farmer who sold the steer.

Is it reasonable to assume that in selecting and purchasing cattle for slaughter so small a matter as 15 per cent on one-sixteenth of the value of the animal can be recognized by the buyer and added to the beef value of the animal? In other words, in the purchase of a steer worth \$100 or more the tax would add about \$1 to the value of the hide. Is the price paid the shipper for the steer to be raised one-tenth of a cent per pound in consequence of this duty? Many of those familiar with the details of these operations consider such a claim an absurdity.

VALUE OF HIDES FLUCTUATES.

Hides are not immediately sold and their exact value can not be determined when the animal is purchased. Hides are salted and cured and many of them carried in the cellars of the packers for six months, and all hides average at least three months in the hands of the packer before sale. The fluctuation in price for that period is frequently greater than the amount of the duty for which the packer is supposed to allow. Hides of animals of equal value for beef, and bringing the same price in the market, frequently vary in value in consequence of brands or imperfections more than the amount of the duty. A branded hide would be worth in the market less than a clear hide by more than the amount of the duty.

Even if he desired to do so, how could a buyer of cattle assort and adjust the price of the hides in advance when making his bid for beef? This factor in the purchase of cattle is necessarily taken care of, as we believe it to be actually done—that is, by allowing an estimated per cent of the value of cattle to cover the value of all offal, namely, hides, tallow, horns, hoofs, butter fats, etc. Business prudence compels this allowance to be made small enough to make the packer safe in his purchase of the animal. Then any market condition, tariff tax, or other factor which tends to increase the price of the hides or other offal simply increases their profit.

ARGUMENT OF S. H. COWAN.

We are indebted to the brief of Mr. S. H. Cowan, of the American National Live Stock Association, filed before the Ways and Means Committee on December 5, 1908, for a complete confirmation of this opinion. On the second page of his brief, at the bottom of the page, he says:

"It is common knowledge that the price at which cattle are sold is regulated more by the quality and finish than by the size and quality of the hide. Take a 5-year-old Texas steer, half fat, which will sell from 3 cents to 4 cents, and take a steer from the same herd when it is 2 years old, put him on the range in Montana and keep him two years, ship him to Chicago market, and he will sell for a cent a pound more and will weigh at 4 years old probably 150 to 200 pounds more than the other steer mentioned. Then take either one of them and put them on feed for four months and the value will increase, both because of the additional weight and the quality, another cent per 100 pounds."

VALUE OF TEXAS STEERS.

This increase in the value of the animal on account of its improved condition he seems to think indicates that the tariff on the hide helps the cattle raiser. His example proves that the reverse is true. The animals were sold for the increased price referred to on account of the "quality and finish" of the animal for beef purposes, as he states. In relation to the hide, however, there was no change in value whatever. If a lot of the "half-fat 5-year-old Texas steers" to which he referred arrived at the stockyards the same day with a lot of his cattle that had been on the range in Montana, and then fed by the feeder for four months, the fat cattle would bring perhaps twice the price for beef that the range cattle brought, but their hides when taken off would go into the same bin and be sold to the tanner as one lot at the same

price. Neither Mr. Cowan nor anyone else can dispute this fact, and it must be obvious, therefore, that the increased price paid for the fat cattle was wholly on account of their beef quality, and had no relation whatever to a tariff on their hide.

This situation exists in regard to hides of all classes. A thin cow will be sold as a "canner" at a very low price, while a cow in good beef condition will bring a higher price, but the hides will go into the same lot and be sold to the tanner at the same price. Under these conditions it is perfectly obvious that the prices paid for the cattle have reference to their beef quality and not to the value of the hide.

EXPORT OF LIVE CATTLE.

When the duty was in effect before 1909, we exported several hundred thousand live cattle every year. These brought the same price paid for the same class of cattle slaughtered here. The hides of these cattle were not protected by a tariff, but the animals brought the farmer the same price as if they were. This would seem to show conclusively that the extra value caused by the tariff on hides was not considered when the animal was purchased from the farmer.

BRANDED CATTLE.

Cattle with branded hides bring the same price as cattle in equal condition, not branded, but the branded hides sell for less price.

Conditions such as these surrounding the sale of cattle for slaughter and the sale of their hides might be multiplied indefinitely, and all show, as we have stated, that the farmer can get no direct benefit from this proposed tax. While, of course, it is obvious that the value of the hide as a whole, as well as the other offal, is considered by the packer in making his purchase, and we know that he keeps carefully in touch with the value of hides and other offal in the market at all times, as they have a definite bearing on the results of his slaughter, yet we maintain and believe we have shown that so small a variation in the value of the hide as would be represented by a duty of 15 per cent could make no appreciable difference in the price paid by the packer for the animal for slaughter, and if any possible benefit from this duty could reach the farmer or feeder producing the animal, it would only be so exceptional and so occasional as not to be a proper subject for protective legislation.

SUPPLEMENTAL BRIEF.

One fundamental error appears to form the basis for all the arguments for a duty on hides. The advocates of this tax seem to believe that a tariff will make the market price of hides higher. The thought seems to run about like this: "When hides are high, the packer will pay the farmer more for his cattle. A tariff will make hides high; so levy a tax and help the farmer." This whole line of reasoning is wrong and will produce a result the opposite of that desired. Hides fluctuate in price constantly and to such an extent as to cover a very wide range in value. It is not generally realized that hides are to-day nearly 65 per cent higher than they were last April, and, of course, the tariff or lack of tariff had nothing whatever to do with the advance.

During the past 18 months prices of hides have ranged from 52 cents per pound in August, 1919, to 10 cents per pound in April, 1921. An average hide of 55-pound weight would be worth at the highest price \$28.60 and at the lowest price \$5.50, the variation in the value of the hide \$23.10. At the lowest point the tariff of 15 per cent would have added but 83 cents to the value of the hide, and at the full average price of hides over a period of years the duty would add but \$1.50 to the value of the hide. So it must be obvious that a tariff can not bring about a high range of prices for hides. On the contrary, this is what the result will actually be. A tax of 15 per cent levied on hides will cause the hides in this country to cost the independent tanners, who are obliged to buy them, just 15 per cent more than hides will cost in other markets of the world. Hides will continue to rise and fall in price precisely as they have always done and must do.

An interesting illustration of the reasoning based on this error is found in an editorial in Wallace's Farmer, pointing out the value to the farmer of this tax. It says: "This has been illustrated by the course of prices during the past few months, when the packers have been able to give the beef producers only a little over prewar normal for their cattle, although they were selling the carcass beef at considerably more than prewar normal. Hides, however, were selling for considerably less than the prewar, and because of this fact the packers had to sell the carcass beef at considerably above prewar in order to be able to pay the producer only slightly above prewar."

When this was written hides were nearly at the lowest point ever touched. A 55-pound hide was worth only about \$5.50, as compared with a normal or average price for the same hide of \$9.90. For the sake of the argument, we will admit that as the hide at that time was worth \$4.40 less than the average value of the hide that the packer took off something from the price he allowed the feeder of the steer on the hoof. The shortage in the value of the hide, namely, \$4.40, was equal to nearly one-half cent a pound on the entire animal, but the tariff, if in effect at that time, would only have amounted to 83 cents, leaving \$3.57 still short. It would be fair to ask the editor how he proposed to make up this \$3.57. Perhaps a higher tariff would do it, but the higher the tariff the greater the increase in the cost of shoes, and the 15 per cent seems to be as far as the advocates of this tax think it safe to go.

The prices of hides in the markets of the world rise and fall, not as a result of a tariff but in accordance with the laws of supply and demand. Such a truism as this ought not to require repetition, but it has obviously been overlooked, and these fluctuations are the more extreme for the reason that hides are a peculiar commodity. The production of other raw materials can be controlled by the producers so that when there is an oversupply production may be checked, and when there is a shortage production may be stimulated, but in hides this is in no way true.

During a part of the past year there has been almost no demand for hides. The tanners were oversupplied, leather was abundant and unsealable, shoe manufacturers could get very few orders for their goods and, consequently, were buying very little leather, and a period of stagnation throughout the industry prevailed; but the production of hides could not be checked. They were constantly produced and accumulated in the cellars of the packers until the prices dropped to about the lowest ever reached, while country hides would in many cases bring less than the transportation cost and other expenses. The reverse, of course, is true when hides are in demand. The supply can not be increased. Animals sufficient to meet the demand for beef are slaughtered, but not one more is slaughtered on account of a demand for hides, and having in mind this peculiar quality, it is easy to see the only thing that has or can produce high prices in hides. The supply of hides is definitely fixed by the amount of slaughter necessary for the beef required. The demand for hides, therefore, is the only controlling factor in regard to prices.

The advocates of this tax will claim, of course, that the tax will tend to reduce importation, and so increase the demand for domestic hides and by increasing the demand will increase the price, but that is not the way it works. The tariff can only increase the price here, by the amount of the tax levied. The price in the world's market can not be controlled or affected by our tariff. It is obvious that by checking the importation the volume of the leather production here is reduced, the number of tanneries in operation is reduced, and the home market for American hides is actually diminished.

A duty on foreign hides simply diverts the foreign hides from this market to free markets elsewhere, and the leather is made from them by foreign tanners and is used to supply the world demand, part of which, under free conditions, would be supplied from this country. Tanners in this country when obliged to pay a duty immediately restrict their operations. The tanning of leather has been in recent years a hazardous undertaking. It occupies a considerable period of time, and changes have often occurred during this period sufficient to turn an expected profit to an actual loss. The addition of a duty to the cost of a foreign hide increases this risk and makes the tanner very loath to impart it, knowing that when landed here it would be in competition with the domestic hide owned by a packer and on which no duty has been paid. Some kinds of leather can be produced to better advantage from foreign hides, but the trouble, delay, and red tape and the expense of bringing in foreign hides when an import duty must be paid will often prevent the tanner from undertaking the enterprise.

This was true before when the duty was in effect, and will be true in a greater degree at the present time, when the tanning business has been considerably demoralized by the manipulation of the packers. As the export trade will be diminished, the need for foreign hides in this country will be greatly reduced, and a freer use of leather substitutes will still further reduce the need. As the packers now tan a full 60 per cent of our sole leather and much of our upper leather, and supply their tanneries from their own hides on which no duty is paid, it is obvious that they will continue to operate, while the independent tanner will curtail and ultimately cease to produce leather. A reduction in the number of tanners and in the kind and varieties of leather produced will reduce the demand for hides in this country and constantly tend to lower the prices.

During the period when hides were taxed, viz, from 1897 to 1908, inclusive, heavy native steer hides averaged to sell for \$0.127 per pound. From 1909 to 1921, inclusive,

when hides were free, the same hides averaged to sell for \$0.2313 per pound. If you wish to omit the years of the war and the collapse which followed, the average from 1909 to 1914, inclusive, of the same hides was \$0.1707.

These average prices were the result of strictly natural causes and indicate a result that makes the effort to increase hide prices by a tariff seem ridiculous. The shoe manufacturers and tanners wish again to emphasize the fact that it is not high prices or low prices they are contending against, but the fact that whether high or low the duty will add the full 15 per cent to the advantage the packer-tanner now possesses over his independent competitor.

Now, if these facts do not prove the argument that domestic hides will bring more price in a market stimulated by the free importation of foreign hides and the increased activity in the manufacture of leather which results therefrom, then those who advocate this tax must point out the error.

Now, it is admitted that the high prices for hides are what the cattle raiser desires, and we ask in all seriousness what basis can now be found for advocating the return of this tax? It must be understood very clearly that the "farmers" do not desire this tax. So far as can be learned no responsible representatives of the "farmers'" organizations have appeared before the committee to demand it, and many of their leading representatives have openly declared that they do not desire it. Such demand as exists for this tax must come from cattle raisers exclusively, and such of their representatives as have appeared have shown such a complete lack of knowledge of the economic facts bearing upon this question that their arguments can not be seriously discussed. It is a well-known fact that cattlemen sell half, at least, of the cattle they produce to farmers to feed and fatten. On these, of course, they can receive no benefit from a tariff tax, as the very small difference made in the value of the hide by the tax would be many times lost sight of during the fattening period by other changes in value brought about by natural causes. On the other half of their cattle the possibility that the packers would hand them the very small amount added to the value of the hide by the tariff is so remote that those most familiar with the dealings between them and having the fullest knowledge of all the conditions surrounding these transactions declare that the stock raiser can never secure one cent of it.

If no one is to secure any benefit from it, why are certain Senators so insistent upon it? A careful survey of the origin and history of this proposal seems to confirm the statement of Senator Aldrich made to a group of leather and shoe manufacturers in 1909. He said:

"This tax will be restored in the Senate bill, because I have agreed with the Senators from the cattle States that they shall have it. It is my duty to pass this bill (the Payne-Aldrich bill), and I must have votes to pass it. These Senators have agreed to vote with me on a large number of schedules in which they have no particular interest, and I have promised in return that they shall have this tax."

No argument as to the merits of the case could be considered by him. The arrangement was made and the tax was to be imposed. Naturally, a tax of this kind would please some of the cattle raisers in the various cattle States. A considerable propaganda has been spread among them to the effect that such a tariff would raise the price of their cattle and help their business. Naturally, therefore, the Senators from these States, having very little interest in other schedules, might demand this tax to please their constituents and without any very careful consideration of its results.

Another very important reason exists. One distinguished Senator, who is an ardent advocate of this tax, is well known to be friendly toward the great packers. He made a speech in the Senate in December, 1920, in which he defended the packers from the charges of robbing the consumer and the stock raiser as well, and said:

"Their business was conducted on the least percentage of profit on all turnovers of any in America or in any part of the world. I wish the business interests of this country, from one end to the other, were so ably managed."

He then tells of a visit to their hide storage place, and says their warehouses are full of hides which it is impossible to sell. This visit was during the stagnation caused by the collapse of values in 1920, when hides were hardly moving at all, and this Senator promptly introduces a bill putting a duty on packers' products, including hides, evidently expecting in this way to render more salable these accumulated stocks.

Now, it appears that this desire to please a few cattle raisers and the desire to increase the value of the products of the packing houses is all that is behind this proposal to-day. The situation is not one whit different from that which existed in 1909 when President Taft said he would not sign the tariff bill if it carried a tax on hides.

A New England Senator, in writing to a constituent about this proposed tax in August, 1921, said:

"We have had a tremendous contest between the East and the West. The so-called agricultural bloc has insisted that hides be placed on the dutiable list, and in order

to hold their cooperation on matters of great interest to New England and other parts of the country we have been obliged to yield to them in this. However, I think there will be a small duty placed on shoes."

Can it be possible that a bargain of this kind can be thoughtlessly carried out when it is loaded with so many disastrous consequences? It will impose an added burden of cost on the people of this country of more than \$100,000,000 annually for shoes and necessary leather goods; will cripple the export trade in leather and shoes, built up by many years of hard, intelligent work; will check production, decrease the employment of labor, and antagonize our friends and customers abroad, whose good will we greatly need. It will, however, do more and worse than this. It is common knowledge that the packers are very large tanners of the hides they themselves take off. If this tax is imposed, it will be of tremendous advantage to them, as they will not have to pay one cent of it, for the reason that they import no hides, but independent tanners, who are obliged to buy the hides they tan, will find their raw material increased in cost by the full amount of the duty. The tax will, in effect, act as an added bounty for the packer and will give him such an advantage in the cost of his leather that no independent tanner can successfully compete with him.

This situation renders impossible a continuance of the old competitive basis of business, which has rendered the shoe and leather industry the largest and most efficient industry of its kind in the world. Is the Senate ready to take the responsibility of destroying it for such a trifling gain?

In discussing the benefit that would accrue to the stock raisers if this duty was put on, the representative of one of the principal packers wrote the chairman of our tariff committee last spring as follows:

"I agree with you that the proposed duty on hides would have very little effect on live-stock values; it would have some effect, but when spread over the weight of a live animal the difference per pound of animal would not amount to much."

This man certainly knew what the result would be and was anxious to defend the act, but the above was all he could say for it. For such a trifling benefit to so few must we submit to such serious burdens and losses?

The editorial in Wallace's Farmer, to which I have before referred, also contained the following statements:

"The farmer has not been as much aroused about a duty on hides as he has about a duty on wool. The benefit from a tariff on hides to the average farmer will not amount to so very much, but there is certainly more argument for hides paying a tariff than most of the manufactured goods which are included in the present tariff bill. Farmers should fight for a tariff on hides in order to have a talking point for holding down certain tariffs on manufactured goods in case they are compelled to allow hides to come in free."

Now, here is another authoritative statement as to the best use for this tax. It should be used as a club to "hold down" tariffs on manufactured goods. We, the shoe manufacturers of the United States, accept this challenge. We are glad to accept such a schedule for our industry as will keep down for the farmer and all other classes of our people the cost of manufactured goods. We are not willing to trade, as the Senate seems to be, to increase costs by unnecessary protective duties; but our organizations, by very large majorities, have voted to accept free hides, and free leather and free shoes also, in place of protection of any kind on any branch of the industry if such a schedule seems necessary. We are aware that certain individuals feel that their business will be imperiled by free trade. Such has so far not proved to be the case. A very great majority of the makers of leather and shoes feel that they can maintain the volume of their business and continue the profitable operation of their plants without protection. A recent investigation of the Tariff Commission in regard to the status of these industries abroad confirms this opinion.

Under these circumstances, at a time when the free exchange of commodities with foreign countries seems to be essential to the reestablishment of anything like a normal state of affairs in industry and trade throughout the world, what reasonable excuse exists for putting a tariff tax on our raw material and building a tariff wall around the entire industry in all its branches?

BRIEF OF GRAY SILVER, WASHINGTON, D. C., REPRESENTING THE AMERICAN FARM BUREAU FEDERATION.

Cattle hides are a by-product of the production of animals for meat or dairy purposes in the United States. Animals are not produced for their hides alone, and the variations in the price of the hide has little influence on the rate of cattle production.

Most of the hides produced in the United States are sold by the producer on the animal and not as hides but as a part of an animal, the price being largely determined by the value of the meat of the animal. The hides taken off by packers comprise roughly two-thirds of the domestic supply, and hides sold by cattle producers amount to a very small part of the total. In 1920, 8,608,691 cattle hides were taken off in slaughterhouses and only 3,567,400 on farms and ranges. For 10 years country hides have averaged 32.3 per cent of domestic production.

The hides of cattle amount to only about 6½ per cent of the weight of the animal. The increase which might come from a higher price for hides can amount to only a small part of the total value of the animal. Weekly fluctuations in the prices of live animals often amount to more than the total price of the hides. A duty of 2 cents per pound on hides would be equivalent to about 12 cents per 100 pounds on the live steer.

During the 10-year period 1911-1920 the imports of cattle hides have averaged 39.20 per cent. With a steadily declining production of cattle the proportion of hides imported must continue to increase if leather production is to be maintained. To secure hides in the world market, which is generally free, the American buyer must compete with world demand. A tariff would tend to direct the raw hides to other markets which are free. The result would be a decline in our leather industries, or higher costs of leather products to consumers, or both.

The amount of hides in international trade has declined in recent years. Cattle production is declining in several countries that have been the largest surplus producers of hides. If world consumption continues at the present rate, a world shortage must soon be made up by the use of leather substitutes.

The use of substitutes for heavy leather is increasing. As the cost of leather increases, the use of such substitutes will probably increase to make up the needed supplies. This tends to place a limit on the price advance of hides and leather. Consequently, the price of hides may not advance greatly as a result of a duty being placed on them.

Since two-thirds of the domestic hides are taken off by packers, and they also control about one-third of the tanning industry, they are in a position to be the dominant factor in the hide-and-leather market. At any given time they have a large part of the stock of hides under their control and are in a position to sell or withhold them from the market as they choose. The packers also control a large part of the imports of hides from South America.

Since the average cattle hide weighs about 65 pounds, a duty of 2 cents per pound would represent an increase of \$1.30 per animal. The producers of two-thirds of the domestic hides would get this increase only when included by the packer-buyer in the price paid for live cattle. The producers of country hides would receive only such part of the increase as might be reflected in the current hide market. An increase in the price of country hides would increase the available domestic supply if the increase was sufficient to encourage cattlemen to save the hides of animals dying from accident and other causes. The animal loss from the waste of such hides is variously estimated to be from 1,000,000 to 2,000,000 annually.

A duty on cattle hides would return a customs revenue of about \$16,000,000, assuming that the imports continue to equal the average of the 10-year period 1911-1920. This does not allow for a drawback on hides made into leather for export. Exports of sole leather have declined from 82,961,220 pounds in 1919 to 14,058,984 pounds in 1921.

The increased cost of raw hides before going into leather would include the increased price to domestic producers plus the revenue on the imported hides. Together these items amount to about \$30,000,000. Previous census reports show that the relation of cost of materials to value of leather produced in the past has been as 1 to 1.25, indicating a 25 per cent advance in the cost of leather over the cost of hides and tanning materials. This ratio of advance would increase the cost of leather to about \$40,000,000. The increased cost of leather products can only be approximated. Assuming that 5 pounds of green hides are required for each pair of shoes, an increase of 2 cents per pound would be 10 cents on each pair of boots and shoes made. In 1919, 329,528,900 pairs were produced. An increase of 10 cents per pair on this number would represent an increase cost of \$32,952,890.

The present large stocks of cattle hides are in the hands of packers, tanners, and importers, and any increase in price resulting from a duty would immediately add to the value of these stocks. The return to the hide producer would of necessity be reflected only in the prices of current production after the duty was applied.

Whether the increased price of hides would be partially or wholly reflected in the price of live cattle by the packer buyers is open to question. The common practice of buying cattle on the basis of meat value alone would lead to the conclusion that the

packer might or might not add the increased value of the hide to the price of the animal as he chose.

Since the packers have about one-third of the hides under their control in their packing storehouses, and more in the tanneries which they control, and yet others under their control in South America, their control of the situation is evident. Cattle production needs stimulation; but the increased return from 15 per cent on 6½ per cent of the weight of the animal is so small as to be of no importance as a means of increasing cattle production. The cost to consumers of leather products would more than offset the increased return to hide producers even if all the increased price was passed on to the producers, of which there is no assurance. Therefore we believe that hides, leather, and leather products should remain on the free list.

LEATHER IN GENERAL.

[Paragraph 1600.]

STATEMENT OF E. A. BRAND, NEW YORK CITY, REPRESENTING THE TANNERS' COUNCIL OF THE UNITED STATES OF AMERICA.

Mr. BRAND. Mr. Chairman and gentlemen, I would like to present first an introductory statement for the tanning industry.

Senator McCUMBER. Just a moment before you proceed, Mr. Brand. There are, including yourself, 10 witnesses, all of whom desire to be heard upon the leather schedule, and they have agreed among themselves the 10 of them will take but the 45 minutes, provided the members of the committee will allow them to testify and to get through in that time.

Mr. BRAND. Yes, sir; and if you do not interrupt us, if I might politely suggest that.

Senator McCUMBER. Very well; proceed.

Mr. BRAND. First, practically all tanners, whether of heavy or light leather, are united in the belief that free hides, skins, and tanning materials are of the utmost importance to the tanning industry of the United States.

Second, it is believed that a duty on all classes of leather is necessary for the protection of American tanners, but inasmuch as the labor costs vary in the production of the several kinds of leather the amount of protection needed necessarily varies. The conditions surrounding the production of the various kinds of leather differ to such an extent that the whole subject can not be covered by one statement.

Therefore, by arrangement with the chairman of the committee, a separate hearing has been granted representatives of several branches of the tanning industry, as follows: Sole and belting, harness, fancy and bag and case, kid, side upper, calf and patent.

HARNESS LEATHER.

[Paragraph 1600.]

BRIEF OF FREDERICK CARLISLE.

Mr. BRAND. I would just like to say a few words in introduction.

The purpose of this memorandum is to set forth the present serious menace to the unprotected harness leather trade in the United States due to the invasion by the Canadian tanners, themselves protected by a 16 per cent duty. Now, the gist of the argument is this:

Canada is the only competitor that is feared in connection with importation of harness leather and you will find in this brief that from nothing before the Underwood tariff law was passed to imports of harness leather from that country jumped to nearly \$4,000,000.

The harness leather tanners say this, namely, that if you can make the clause in the tariff bill which has to do with penalty duties effective so that they could secure relief under that clause, it would be sufficient for their purposes, otherwise they should have a duty equal to that of Canada.

Senator McCUMBER. Thank you.

(The brief referred to is as follows:)

HARNESS-LEATHER SCHEDULES.

The purpose of this memorandum is to set forth the present serious menace to the unprotected harness leather trade in the United States due to the invasion by the Canadian tanners, themselves protected by a 16 per cent duty.

The only country from which competition on harness leather is seriously felt is Canada. Canada imposes duties of 16 per cent on American harness leather and at the same time her product is admitted in the United States free of duty.

Reciprocity—Penalty duties.—Harness-leather tanners in the United States have given this general subject serious consideration in connection with the special sections of the pending tariff bill—Nos. 301, 302, and 303—making provision for reciprocal arrangements and the imposition of penalty duties. Expert advice which we have received seems to indicate that if the language of the sections in question were strengthened somewhat they would enable our Government to effect reciprocal arrangements whereby American harness leather could enter the markets of Canada on the same basis that her product is received in the United States. However, unless such complete machinery is really provided harness-leather tanners of this country are entitled to a duty equal to that imposed by the Dominion of Canada, namely, 15 per cent ad valorem plus 1 per cent excess sales tax on all imported goods.

Importations of Canadian leather.—In order that you may be fully informed as to the justice of our request we beg to submit the following comments on the importations of Canadian harness leather and several other factors that enter into the subject of competition from our neighboring producers:

Before the passage of the Underwood-Simmons law in 1913 the importations of all kinds of leather from Canada aggregated in value little more than \$100,000 per annum. The total trade jumped to approximately \$2,500,000 per annum in the two succeeding years, reaching a height of \$8,000,000 in 1918. No separation was made of the harness-leather figures until 1916, when they amounted to \$200,000, in 1917 to \$1,200,000, and in 1918 to \$3,800,000. To show that the Canadian harness-leather tanners have gained a permanent postwar foothold in this country, we wish to point out that nearly \$1,000,000 worth of their product came in in 1919, and, notwithstanding the slump in the world leather market in 1920, upward of \$400,000 worth came across the border in 1920. During the first six months of 1921 the importations amounted to \$240,000.

Expansion of industry.—Canadian harness-leather tanners maintain a large number of well-organized plants in the near-by Provinces of Ontario and Quebec. During the past decade the tanning industry of Canada expanded rapidly, the demand incidental to the war having given impetus to its development. The table which follows (secured from the Dominion Department of Trade and Commerce, which contains the latest available information) shows the growth that took place in the short period between 1915 and 1917:

	1915	1917
Establishments.....	100	130
Capital invested.....	\$19,688,281	\$30,582,483
Number of employees.....	3,322	4,120
Salaries and wages.....	\$2,182,602	\$3,360,418
Cost of materials.....	\$18,123,623	\$26,634,477
Value of production.....	\$23,654,491	\$41,117,125

Canadians bidding for American plants.—The following quotation from a letter addressed by a board of trade in a Canadian city to several tanning firms in the United States urging them to remove their plants across the border should prove interesting in connection with the question of low cost of production:

"As you undoubtedly are aware India has placed an export duty of 15 per cent on all her hides and skins exported from her shores except in cases where these hides and skins are sent to tanners within the British Empire, which, of course, includes Canada. This law will, as you can readily see, work out to a great disadvantage to your firm as it will cost you just that much more to manufacture your leather than if your plant were situated in Canada.

"As there is no duty on leather entering the United States from Canada your product would be free to enter American markets where you could warehouse and sell your goods to just as good advantage as you do to-day and retain the same connections and organizations intact."

Importations of leather from Canada.

	1913	1914	1915	1916	1917	1918	1919 ¹	1920 ¹
Glove.....						\$121	\$82	\$2,214
Belting and sole.....	\$100,112	\$1,381,481	\$1,519,075	\$2,782,226	\$1,600,279	1,893,985	646,403	604,529
Goatskins, tanned for morocco.....	161	1,923	96	916	463	473		
Harness and saddlery.....				199,858	1,189,803	3,815,160	834,010	338,014
Patent, japanned and varnished.....				67,208	86,725	92,265	338,807	185,075
Calf and kip.....				829,274	927,440	1,517,190	1,042,395	601,730
Sheep and lamb.....				2,644	60,977	33,298	28,260	2,207
Other upper.....				186,115	147,018	32,626	458,384	316,371
All other leather.....	19,570	623,747	923,955	363,614	385,952	673,532	870,060	545,452
Total.....	119,843	2,007,151	2,443,126	4,431,855	4,398,658	8,058,670	4,216,321	2,595,592

¹ Calendar year.

FANCY LEATHERS.

[Paragraph 1600.]

STATEMENT OF GEORGE B. BERNHEIM, REPRESENTING R. NEUMANN & CO., HOBOKEN, N. J.

Mr. BERNHEIM. Mr. Chairman, I represent R. Neumann & Co., Hoboken, N. J., manufacturers of fancy leather, as well as the manufacturers of bag, case, and strap leather.

Senator SMOOR. What paragraph?

Mr. BERNHEIM. Fourteen hundred thirty-one and the free list.

It is respectfully urged by the manufacturers of fancy, bag, case, and strap leathers in the United States that protection be given to their products, along with chamois skins, pianoforte, pianoforte-action, player-piano action, enameled upholstery, and glove leathers. We suggest that a duty of 20 per cent ad valorem be placed on importations of these leathers into the United States.

The reasons for asking for this duty are as follows:

The leathers above mentioned are used almost entirely for the manufacture of articles of luxury, consisting of ladies' hand bags, expensive pocketbooks, jewelry cases, traveling goods, and binding for books. For these purposes seal, sheep, goat, calf, cowhide, and pigskins are used.

There are at present over 75 concerns engaged in this industry, which has been developed almost entirely under protective tariffs. Under the McKinley, Wilson, and Dingley tariffs there was a protection up to 20 per cent on these leathers; under the Payne-Aldrich law the protection was 15 per cent.

In 1913, under the Underwood tariff, the duty on most of the leathers mentioned was removed, and by 1914 the industry was in bad shape because of competition from Germany, France, and Great Britain, whose salesmen were here even before the bill became a law. As a result the market was deluged with foreign fancy leathers, and if it had not been for the war, which curtailed importations, our industry would have been ruined.

The reason why European manufacturers can so readily undersell American manufacturers is that labor is the principal element in the cost of production of the above-mentioned leathers. In some instances labor represents as much as 50 per cent of the value of the finished article, and from investigation we have learned that European labor is paid a much lower wage scale than our labor. The success of finishing the leathers named is dependent upon the attention given to each individual skin by skilled workmen, and no machinery has yet been devised to replace the hand-labor operations so essential to the production of artistic leather. American manufacturers can produce leathers at least equal to the European and in some cases superior, so that in purchasing more cheaply from Europe the American consuming public is purchasing principally cheap European labor. The industry in this country is entirely upon a competitive basis, there being more than 75 competing firms, and therefore there is no danger that the prices of finished leather will advance in case a duty is again placed on them.

If, however, there is no duty, it seems certain that the industry will suffer most severely from foreign competition, and many plants will be forced to close. The manufacturers would not only suffer severe financial loss, but the workmen would be thrown out of positions.

We therefore respectfully urge that paragraph 1431 of the proposed bill be changed to read as follows:

PAR. 1431. Chamois skins, pianoforte, pianoforte-action, player-piano action, enameled upholstery leather, bag, strap, case and glove leather, finished, in the white or in the crust, and seal, sheep, goat, calf, pig, and all other leathers, dressed and finished, other than shoe leather, not specially provided for in this section, 20 per centum ad valorem.

We believe, if rewritten, paragraph 1431 would give protection for these leathers, and if you would give me a moment I would like to give you an idea of what we mean by fancy leathers.

Senator SMOOT. You want free hides?

Mr. BERNHEIM. Well, we want free raw material and a duty on leather.

Senator SMOOT. You do not care anything about whether it costs any more to produce a hide in America than in South America, or in any other part of the world, but you want them free. You do not want the man who produces hides protected.

Mr. BERNHEIM. What we want especially in our line is a duty on leather. If we have to have a duty on hides, we will accept it.

Senator SMOOT. I just want to know your position.

Mr. BERNHEIM. That is our position. In the fancy-leather trade labor constitutes such a large part of the cost we need some protection.

Is there any other question?

Senator McCUMBER. That is all. Thank you.

UPPER LEATHER.

[Paragraph 1600.]

STATEMENT OF FREDERICK C. STRESAU, NEW YORK CITY, CHAIRMAN COMMITTEE OF SIDE UPPER LEATHER TANNERS.

Mr. STRESAU. Mr. Chairman and Senators, side upper leather is made from green-salted and air-dried light cattle hides ranging in weight, green-salted basis, from 25 to 50 pounds. Cattle hides are split in two from tail to head prior to processing in order to facilitate handling, each half then being designated as a "side."

The general procedure in manufacturing side upper leather is practically identical with that used in making all kinds of shoe upper leather, with the exception of patent leather, there being practically 50 different operations involved.

Senator SMOOT. What paragraph are you speaking to?

Mr. STRESAU. Fourteen hundred and thirty-one.

Senator McCUMBER. Proceed.

Mr. STRESAU. Because of the labor involved in these 50 operations a protective duty is essential in order to maintain the standard of American wages as compared to prices paid labor in practically all other countries of the world. At the present time the wages paid in our tanneries which make side upper leather are fully 100 per cent higher than prices paid previous to the war, although we have already done our share of liquidation of labor to the extent of 33 per cent reduction from peak prices paid.

We wish to explicitly call attention to the following facts concerning Germany's tanning industry. We have singled out Germany, as, aside from ourselves, Germany is the most important factor in the production of the world's supply of side upper leather.

Prior to the war Germany's tanning equipment was 70 per cent of that of the United States, the two countries overshadowing all other countries producing side upper leather.

The tanning industry was one of the leading industries of Germany.

Not one dollar's worth of this tremendous tanning equipment has been destroyed as a result of the war, but, more important still, wholesale expansion has been going on ever since the war started and since the armistice.

An up-to-date chrome tannery can be erected on very short notice, and with free leather on our list we feel very certain that the Germans will enlarge their plants as necessary to take full advantage of our markets.

American owners are already sending quantities of hides to Germany to be tanned on contract.

German tanners have made tremendous profits during and since the war and financially are so well entrenched that to-day they are running their plants to full capacity and are continually expanding. Contrary to this, our tanning industry has not operated, collectively speaking, over 40 per cent of its normal capacity during the past 16 months.

The large German tanners are known to pool a great many of their requirements for raw material, in this way circumventing com-

petitive buying amongst themselves and obtaining more advantageous deliveries in so doing.

Whereas it is customary in this country to pay for our raw material against railroad documents in cash, the continental tanner buys his raw material on from 80 to 90 days' time.

England, which was formerly the largest foreign market for our leather, is to-day buying from Germany, where she obtains much lower prices.

With only eight months in which to operate in 1914, German side upper leather made very appreciable inroads into our markets under the Underwood tariff, and we have every reason to believe that, had the war not put an end to it, a great many of our plants would have been forced out of business. To-day, with Germany's low labor cost, she is in a more advantageous position than ever and we are even under greater handicaps. Consequently, with no protection, we have every reason to believe that the same would prove absolutely ruinous to an industry which is already very badly upset.

We, therefore, respectfully urge that to paragraph 1431 of the pending tariff bill there be added the following:

PAR. 1431. * * * 20 per centum ad valorem; on cattle side upper leather, dressed, n. s. p. f., 20 per centum ad valorem.

We would like to state that, in asking for a 20 per cent tariff on side upper leather, the same is based on free raw materials.

Senator Smoot. You want all the hides free?

Mr. STRESAUV. We feel this way about it, Mr. Chairman: We would like to see all the hides free, but the paramount issue to us is to have protection for our leather. We consider that far more important. Thank you.

CALF AND VEAL LEATHER.

[Paragraph 1600.]

STATEMENT OF WALTER T. CREESE, REPRESENTING CREESE & COOK CO., DANVERS, MASS.

Mr. CREESE. My name is Walter T. Creese, treasurer of Creese & Cook Co., and I am speaking for the calf and veal leather manufacturers.

Calf and veal leather is made from skins of calves weighing up to 25 pounds green weight, but in this statement the word "calf" shall refer to both calf and veal.

Raw stock: On account of an insufficient supply of good quality calfskins in this country, American tanners are forced at present, and have been for many years, to import an average of 40 to 50 per cent of their calfskins.

European calfskin tanners, on account of their proximity to the best and largest supplies of raw calfskins, which are produced in France, Holland, Belgium, England, Scandinavia, Switzerland, Austria, and Russia, have the advantage of drawing upon these markets for their supply. The freight on green-salted calfskins to this country is four times that on the finished product. Due to the extra costs for freight and other expenses incidental to bringing this material to our factories, the American calfskin tanner is placed at a disadvantage before the process of tanning is commenced.

Labor: As Germany is the country whose competition we fear the most, whose labor is the cheapest, and who is by far the largest producer of calf leathers in the world, attention must be called to conditions existing there. In fact, this industry needs protection from importations from each and every country where labor is cheaper than here.

Nearly every large German tannery has an American directing the manufacturing, showing that the Germans are adopting American ideas and employing their methods to produce calf leather that will enable them to obtain American business.

The Department of Commerce has recently received figures which show that the wages paid tannery labor in Germany are from one-fifteenth to one-tenth (in United States currency) of the wages paid in this country for the same labor; that is, the highest skilled tannery labor is paid in Germany from \$2.25 to \$3 per week as compared with \$25 to \$35 paid in this country, and women who are largely employed are paid considerably less. Some of these women are only earning 25 cents per day at the present rate of exchange.

The majority of the tanning materials used in the manufacture of calf leathers are made by the same cheap labor in Germany and now enjoy a protective tariff.

Calf leather is used in the better grades of shoes and, because of its superior quality, is largely produced by hand-labor operations. Based on the present selling prices of finished calf leathers in this country the raw material amounts to approximately 60 per cent of the cost and the balance is made up of labor, factory overhead, administrative and selling expenses, etc., of which labor is the dominating item.

Calf leather can be produced in Germany (excluding cost of raw calfskins and including labor, manufacturing supplies and materials, factory overhead, administrative expenses, interest on investments, and interest on borrowed money) ready to sell on the market for about 4 cents per foot, figured at the present rate of exchange. Bona fide offers have been made by German tanners to manufacture calf leather for American account on a basis of 5½ cents a foot f. o. b. Germany. To produce calf leather in this country up to and including that state would cost American tanners from 11 to 14 cents per foot. It must also be borne in mind that the 5½ cents quoted by the German tanner includes his profit. Unless protection is afforded to American tanners to the extent of covering this difference in the cost of production of from 7 to 10 cents per foot it will resolve itself into one of three things, viz:

- (a) That the American calf tanner must go out of business;
- (b) That the American calf tanner must ship his raw stock to Germany to be manufactured there into leather and returned here in the finished state; or,
- (c) That Americans must operate tanneries in Germany, which would throw out of employment thousands of workmen at present employed in this industry.

On account of her extremely cheap labor Germany is able to outbid all other countries in the purchase of raw materials. At present Germany, notwithstanding the high freight rates, is buying raw calfskins in this country, manufacturing them in Germany and can

reship them here in the finished state to sell at lower prices than they can be produced here.

The industry: The calf-leather industry in this country is a large one, having been developed during the past half century under protective tariffs. Under the McKinley, Wilson, and Dingley tariffs there was a protection of 20 per cent, while under the Payne-Aldrich law there was a protection of 15 per cent.

Under the Underwood tariff calf leather was placed on the free list, and in the early part of 1914 the increase in calf-leather importation was very marked.

The Department of Commerce figures for the fiscal year ending June, 1914, showed an increase in the importations of finished upper leather of 119 per cent and the following year an increase of 152 per cent over the year ending June, 1913.

On account of the flood of imported foreign calf leathers our factories in the early part of 1914 were operating at less than quarter time, and if it had not been for the war, which raised a barrier against importations, our industry would have been ruined. Although German-made calf leathers were shut out, importations of Canadian calf leathers increased enormously. For the fiscal year ending June, 1916, the importations were 336 times in value those of the previous year, and for the year ending June, 1918, were 614 times the value of importations during the year ending June, 1913. This increase was maintained after the close of the World War, as the value of the importations for the year ending June, 1929, was still four hundred and twenty-six times that of the year ending June, 1913.

There is a duty on American calf leathers going into Canada of 15 per cent, which completely bars the importation into Canada of American-made calf leathers. In other words, the Canadian calf tanners are in a position to import their raw material from this country free of duty and to reexport this same raw material manufactured into finished calf leather, free of duty, to this country.

Australia is now considering the imposition of a tariff which will practically prohibit foreign leathers. There are few nations which have not either a protective tariff or prohibitive tariff on calf leathers. These conditions, together with their lower cost of labor, would completely bar any possibility of this country exporting calf leathers on a profitable basis.

Tanners in Germany are now running well up to capacity, and exports of finished calf leathers to this country have recently been on the increase. There need be little fear that the prices of finished calf leathers would be advanced should a protective tariff be placed upon this product, as competition between calf tanners of this country has been decidedly keen in the past under protective tariffs and there is no reason to believe it will be otherwise in the future. Even with Europe unable to export large quantities of calf leather to this country in the past two years, the natural competition between American calf tanners has resulted in this industry making losses that have wiped out the greater part of the profits made during the previous five years, in addition to which there has been accumulated in the hands of tanners large surpluses of leather which must still be liquidated. Competition with the cheap-labor calf-leather factories of European countries at a time when the industry is just

emerging from a drastic liquidation would be ruinous, and would merely result in the supplanting of production in this country by American labor by the production abroad by cheap foreign labor. We can not expect that labor in this country will adopt the standards of living now prevailing in European countries.

Finished calf leather is termed by the shoe manufacturers of this country as their raw material. Technically speaking, from their point of view, that is correct. Nevertheless, calf leather is a manufactured and finished product and can not be placed in the same category as a raw material or an unmanufactured product.

For your information, the calf leather entering into the manufacturing cost of a shoe is about 25 per cent of such cost.

We respectfully suggest that to paragraph 1431 of the pending tariff bill the following be added:

PAR. 1431. * * * Calf and veal leathers, finished or partly finished, 25 per centum ad valorem.

Senator McCUMBER. Thank you.

PATENT LEATHER.

[Paragraph 1600.]

STATEMENT OF MAXWELL J. LOWRY, NEW YORK CITY, CHAIRMAN COMMITTEE OF PATENT LEATHER TANNERS.

Mr. LOWRY. Mr. Chairman, I will state it is my privilege to represent the manufacturers of patent leather, part of the Tanners' Council.

In the struggle for business in which the world's manufacturers are now engaged it is necessary that we, the tanners of patent leather in the United States, buy our raw material—that is, hides—as cheaply as any tanner in any country. It is, therefore, essential that hides shall be free of duty.

In order that the patent-leather industry may be on a fair competitive basis with other countries where workmen's wages and their standards of living are below those of our American workmen, it is necessary that we have a protective duty on patent leather for the reasons outlined below.

The Canadian tanners sent practically no patent leather into this country until 1915. Prior to that time the Canadian shoe manufacturers imported all of the good quality patent leather that they needed and used the Canadian product only in their cheaper shoes. To-day the Canadian tanners of patent leather have improved their quality to a degree that enables them to send it into this country in quite large quantities.

The Canadian tanners have always had some advantage in the cost of raw material, as Canada produces more hides of the character suitable for this kind of leather than they consume. Their labor is also on a lower basis than our own. Canadian patent leather is being sold in this country all the way from Boston to St. Louis in steadily increasing quantities and at prices which we can not meet.

To the American tanner belongs the credit for the high quality and general excellence of the patent leather produced to-day. We originated and perfected the method of applying a thin, flexible varnish

to the grain or hair side of the leather as opposed to the continental method of a thick, heavy varnish on the flesh side. The continental tanner, quick to observe that we had obtained a better result, immediately adopted our process and successfully applied it to his product.

In the years 1912 and 1913 the German tanners of patent leather had so increased their capacity that they captured practically all of the European and English business which the American tanners of cowhide patent had been building up for the preceding six or eight years.

In the year just preceding the war the German tanners had succeeded in getting their patent leather so well introduced into this country that we had every reason to believe, had the war not occurred and stopped importations, we should have lost a very large part of our business.

German patent leather did not begin to come to this country immediately on the close of the war, because her tanneries were not in a position to produce leather in quantity, but during this year patent leather manufactured by German tanners is being sold in the United States in quite large quantities at prices considerably under our actual cost of production.

The German tanners had before the war and still have certain specific advantages which should be offset by the protection for which we ask.

The German laborer has a degree of efficiency which is well known and is working to-day at from \$2.25 to \$3 per week, based upon the present value of German currency. Men in our patent-leather tanneries are earning from \$25 to \$35 per week.

Germany also has access, not only within her own borders but in near-by countries, to raw material better adapted to the manufacture of this kind of leather than the raw material produced here. Their hides are of much better quality than our own.

Germany manufactures her own tanning materials and at a cost lower than ours.

Senator WATSON. What kind of hide is patent leather made of?

Mr. LOWRY. Light cowhides.

Senator WATSON. Why do you say the hides produced in Canada are better adapted to the manufacture of that leather than American hides?

Mr. LOWRY. Because the German begins to take care of the cowhide while the cow is alive. In Germany the cows are usually taken care of by the women of the family, and it is washed before it is slaughtered.

Senator WATSON. Do the Germans raise the hides in Canada?

Mr. LOWRY. No, sir.

Senator WATSON. You said a while ago that hides produced in Canada were better for the production of patent leather than those produced in the United States.

Mr. LOWRY. I said in Germany, Senator.

Senator WATSON. You did just now, but a little while ago you said the hides produced in Canada.

Mr. LOWRY. I said the Canadian manufacturer has access to the hides produced in Canada, and that they were produced in larger quantities than the Canadian tanner used. The Canadian hide is

as good as ours, but not as good as the German hides. But there are more hides produced in Canada of that kind and weight than the Canadian tanners can use.

Canada is to-day a great deal as our country was in the West a good many years ago.

Senator McCUMBER. Proceed and finish with your statement.

Mr. LOWRY. Patent leather requires a higher duty than other kinds of upper leathers because the production cost is about twice as much. The tanning cost is about the same, but there is an addition of an equal or greater amount for the cost of japanning. Japanning is all handwork, no machinery whatever, and labor is the principal item of cost.

There are so many producers of patent leather in this country, in many States from Massachusetts to Wisconsin and as far south as Virginia, that competition is active and keen and there is no danger of the proposed tariff creating fictitious values.

We, therefore, respectfully urge that to paragraph 1431 of the pending tariff bill there be added the following:

PAR. 1431. * * * and patent, japanned, varnished, and enameled shoe-upper leather 5 cents per foot and 25 per cent ad valorem.

Senator DILLINGHAM. What proportion of the cost of the production of that leather is labor?

Mr. LOWRY. I think, perhaps, Mr. Thayer can answer that question better than I can.

Senator DILLINGHAM. It depends on circumstances, does it not?

Mr. LOWRY. Yes; it is a technical question, and it depends a good deal upon the quality and character of the leather made, but in patent leather I should say half of the expense at least to manufacture is labor.

Senator SMOOT. What duty did you ask?

Mr. LOWRY. Twenty-five per cent and 5 cents.

Senator McCUMBER. Ad valorem?

Mr. LOWRY. Ad valorem.

Senator McCUMBER. American valuation?

Mr. LOWRY. American valuation.

Senator McCUMBER. And the farmer to sell his product, the skin, to you at the world valuation?

Mr. LOWRY. If possible.

Senator McCUMBER. In other words, he is to sell in competition with the entire world his product so that you may have a higher protection on yours?

Senator CURTIS. There are some of them who want a duty on hides, Mr. Chairman.

HARNESS AND SADDLERY.

[Paragraph 1600.]

STATEMENT OF J. A. ROBERTS, REPRESENTING THE SMITH-WORTHINGTON CO., HARTFORD, CONN.

Mr. ROBERTS. Mr. Chairman, I represent the Wholesale Saddlery Association of the United States, which association embraces practically all of the manufacturers and wholesale dealers of harness and saddlery goods in the United States.

Our membership extends from Boston to Los Angeles and from North Dakota to Texas.

I would like to call your attention to paragraph 1600, and suggest that this paragraph be divided, and that the harness and saddlery industry be placed under a separate paragraph to avoid confusion in considering the merits of the different industries therein contained, and that we will be considered on our own merits and not possibly be considered on the basis of the merits of some other industry.

In the first place, we would like to call your attention to the fact that saddlery and harness up to the Underwood bill has always been considered an industry deserving of protection. The first problem that confronts us is what we would consider the Canadian menace.

Senator SMOOT. What duties do you want?

Mr. ROBERTS. Thirty-five per cent.

Senator SMOOT. Thirty-five per cent duty, American valuation?

Mr. ROBERTS. I would ignore the question of American valuation or foreign valuation.

Senator SMOOT. Thirty-five per cent of foreign valuation would be satisfactory to you?

Mr. ROBERTS. Yes, sir; if you will give us 35 per cent on foreign valuation, we will say nothing about the American valuation.

Senator SMOOT. What was the rate under the Payne-Aldrich bill?

Mr. ROBERTS. Thirty-five per cent.

Senator McLEAN. You always had it.

Mr. ROBERTS. The Payne-Aldrich bill started with 35 per cent; then, in revising the duty on imported leather, it was reduced to 20 per cent. There was a compensating reduction in the duty on our products, so that in the latter operations of the Payne-Aldrich tariff the duty on harness and saddlery was 20 per cent.

Senator SMOOT. As I understand you, you want 35 per cent if you have free hides?

Mr. ROBERTS. No; please do not consider free hides in connection with our products. I am not going to ask for a duty on our product with one hand and with the other hand ask for free hides. I might say selfishly that the duty on hides would not be objectionable to us, because we would infer if you put a duty on hides you would put a duty on leather, and if you were going to put a duty on leather we would naturally expect you to put a duty on our product.

The duty of 35 per cent imposed by Canada on imports of harness and saddlery has closed that market to our manufacturers. This exclusion, aided by the rapid growth of Canada's commercial needs and the development of the northwest farming area and the demands of war, have developed competitors, who, under the privileges of the proposed tariff bill, would enjoy a decided one-sided advantage.

They are just as keen and able manufacturers and merchants as we are, amply fortified with knowledge gained through English inspectors located in our factories during the war. The efficiency and improved methods that our manufacturers purchased at the price of experience have thus been available to our Canadian competitors.

They can obtain material and labor as cheap as we, and in fact, actually for less. The fact we have a proposed duty of 35 per cent on the hardware used in the manufacture of our articles would lead us to infer that Canada could obtain her hardware for less than we can, and we know she can, because it can be bought in England cheaper than we can buy it in America.

Senator McLEAN. And she imposes a duty of 35 per cent ad valorem on American harness and saddlery imported into Canada?

Mr. ROBERTS. Yes, sir; we can not take our product into Canada without paying a duty of 35 per cent on it. That closes the market to us absolutely.

Canada can obtain her leather as cheaply as we can, and I will support the statement made by a gentleman here to-day that Canada will produce just as good an article in the way of leather as our tanners. I know that, because we have used their leather, and as tanners and competitors they are no joke.

The Canadian manufacturer is making harness for the same market that we make it. Our largest market is the farmer class, and his largest market is the farmer class. He does not have to particularly adapt his product to our market. The only line dividing us is that of the Canadian customhouses, which prevent our going into Canada.

The American market, according to the 1920 census, indicates that we have a matter of 19,000,000 horses and mules on the farms of the United States, and the largest proportion of these will be found on the farms in the States above the Ohio River and above Oklahoma, and if it is true that a set of harness will last a matter of from 12 to 14 years, and assuming there is a matter of 5,000,000 horses and mules that do nothing but eat, grow up, and die, and 14,000,000 only requiring harness, it would be equivalent to a harness market in the United States of 1,000,000 sets per year.

Now, if the Canadian manufacturer is doing what I say—and I believe it is true, and, in fact, I have no question whatever about it, and it would be folly for me to tell you otherwise—do you think he is going to sit quietly behind his tariff wall of 35 per cent and ignore this market? Not by any means. He is going to slip in as quickly as he can. The only reason we have not suffered from this is because of obstacles over which man has apparently had no control, but to-day the Canadian manufacturer is soliciting business in the Northwest and Middle West, where our manufacturers are now practically shut down. I venture to say that they are not working to 20 per cent of capacity, and many of them have not worked since last April. The market is dead.

Senator SMOOT. Are there any importations coming in from Canada now?

Mr. ROBERTS. Practically none.

Senator SMOOT. It is on the free list now.

Mr. ROBERTS. There are practically none because there is no business. Our own manufacturers can not get any business. The American Middle West harness dealer is loaded up with obligations and can not obtain his money from the farmer.

Senator WATSON. What is the state of your business?

Mr. ROBERTS. I come from Connecticut, and we have been better off than the rest of the country, but if the city of Philadelphia had not changed its method of handling the garbage contracts and we had not happened to get the contract for harness supplies we would not have had much business. We are working to about 20 per cent of capacity.

Senator McCUMBER. I do not know how many harnesses for each horse we bought during the war, but I think it was some 2 or 3 dozen, and I am wondering what the Government has since done with them, and whether they are being dumped into the market now?

Mr. ROBERTS. That is a question I was going to refer to in a moment. I want to get rid of our Canadian proposition, and then I was going to make reference to that.

Senator McCUMBER. Well, go ahead.

Mr. ROBERTS. It may be of interest to state that unquestionably the largest harness and saddlery manufacturer and jobbing house in North America is in Winnipeg, very close to the American border and very close to the heart of our harness and saddlery market, and we view with decided fear and danger that we are exposed to through the Canadian competitors, who know all we know, who are as able as we are, and who are going to raid our market just as sure as fate, and we can not go into Canada and retaliate.

With regard to the question you raised a moment ago, Senator, the Government has dumped a large amount of harness on the market, which is being slowly absorbed, and absorbed at a price far less than the cost of production. The harness is not suitable for our market, and it has to be converted, and it is not being absorbed as readily as the War Department could like.

Senator McCUMBER. Because of its lack of adaptability to farming purposes?

Mr. ROBERTS. Because of its lack of adaptability for farming purposes, and also you can not compel a man to buy two sets of harness when he only has use for one. He will not do it. So much for the Canadian situation.

I have brought here to-day some samples which will best explain to you the problems confronting us with reference to imported goods that come across the sea.

In competing with the foreign saddlery manufacturer we are decidedly handicapped by being compelled to go abroad for certain absolutely essential materials not produced in the United States and on which we must pay a duty. These included woolen saddle serge, wool flock, linen straining web, silver saddle nails, dees, and staples. Saddlery hardware, worsted girth webbing, and saddlery felts, procurable in our home market, are when imported all subject to tariff duty. Any and all of this material, combined in a completed riding saddle, manufactured under lower wage rates and working conditions, would under the proposed bill be admitted free of duty.

If I bought from abroad this hardware—bits, chain, and buckles—in this bridle, I would pay under proposed tariff bill a duty of 35 per cent, but if the complete bridle is imported, the bits, chain, and buckles, then are admitted duty free; hence there is no chance for my company to continue to make these goods—or any other manufacturer in the United States—when it is very apparent the foreign manufacturer would enjoy the advantage of one-third the value of this hardware, and the hardware is worth half the value of the complete bridle.

Senator WATSON. Where was that bridle made?

Mr. ROBERTS. This bridle was made in Hartford, Conn. This bridle is not a necessity, and the man or the woman who uses it does so for pleasure purposes.

Here is another item, this worsted saddle girth. If I import this worsted webbing I would pay under proposed bill a duty of 25 cents a pound plus 30 per cent ad valorem, and if I bring these buckles in I would pay a duty of 35 per cent, but if this girth is manufactured complete on the other side it would come in duty free.

I might add that I have a bill here from an English merchant, who offers this girth at the price of 5 shillings and 9 pence, which is equivalent to a price of less than \$1.25, and allowing 15 per cent for transportation charges it would make the girth cost probably \$1.50 or less landed in the United States.

If we go to the manufacturers of this woolen girth webbing in the United States and buy it of them in the roll it would cost us per girth in his factory \$1.50 for the material alone, and to that we would have to add the buckles, have to add the thread, and have to add the labor.

Senator WATSON. What would it cost you?

Mr. ROBERTS. If I made it it would cost me about \$2.

Senator WATSON. Are there any importations of that material?

Mr. ROBERTS. Decidedly so.

Senator WATSON. At this time?

Mr. ROBERTS. At this time.

Senator WATSON. And of this bridle, too?

Mr. ROBERTS. Yes, decidedly so. The statistics show the imports for nine months this year, ending with the month of September, amount to \$639,000; for like period in 1920, \$1,580,000.

Senator SMOOT. That is of this whole schedule?

Mr. ROBERTS. No; this is only saddlery goods I am referring to.

Senator WATSON. What does it cost you to make that bridle?

Mr. ROBERTS. I did not mean to contradict you, Senator, but those figures I have, as I understand, only refer to saddlery and harness goods.

Senator WATSON. What does that cost in Germany to manufacture?

Mr. ROBERTS. I do not know what it would cost, but I do know their labor is not as much as ours.

Now, I have another case here which I would like to call to your attention, and which relates to another item of luxury, and I think deserves consideration, if on that score only.

Here is a riding saddle made in Connecticut, intended for the use of gentlemen or women. It is a saddle that I dare say is as well made as any saddle in the world. We ask no quarter so far as quality, workmanship, or fit are concerned. We, unfortunately, however, must go abroad for certain needed material in the construction of this saddle. The first step in the manufacture of this saddle is straining the tree. This linen straining web is not made in the United States. The duty on it, according to the proposed bill, is 28 per cent.

Senator CURTIS. Have you not anything to take its place?

Mr. ROBERTS. No, sir.

Senator WATSON. Why is it not made in the United States?

Mr. ROBERTS. There is no reason, except we can not make it in competition with England.

Then the next manufacturing step is to set the seat of the saddle. We use this all wool serge, and it is not made in the United States. We must go abroad to buy it, and when we bring it into the United States the duty under the proposed tariff would be 30 cents per pound and 24 per cent ad valorem.

Now, after we have built this up in this form and filled the seat with this wool flock, which is not made in the United States, and on which we would carry a duty of at least 25 per cent ad valorem—

the appraiser in the customs service told me he could not say that it was 25 per cent, as possibly the rate might be higher. We have got to import this flock.

Now, the last step, with the exception of putting the leather on here, is to line the saddle. This lining or pad is filled with this wool flock (this material), and it is covered with a saddle serge which we import from the other side.

Senator WATSON. That is very interesting, but why is not that produced in the United States? Can you answer that?

Mr. ROBERTS. I can not, except that this serge has been taken up by a number of American manufacturers of this material, and they are beaten to a frazzle. They have thrown up their hands when we have presented them with an invoice from the other side with the duty and all expenses added, and the duty was 45 per cent at that time. There was no specific duty. I had a number of them during the early stages of the war, when the manufacturers were looking for business, and tried to get them to make this serge, but they threw up their hands.

Now, here are other items, these silver-headed saddle nails, and this loop to which the stirrup leather is attached, and the stirrup itself, if imported separately is subject to a duty of 35 per cent and if it is put into a riding saddle on the other side it comes in free.

Now, I submit to you the impossibility of our manufacturing these articles for pleasure use and items of luxury and pay a duty on the absolutely essential materials going into them and compete with English-made goods manufactured at a lower wage rate than paid in the United States.

Senator WATSON. You can get that buckle in the United States?

Mr. ROBERTS. Yes.

Senator WATSON. And that stirrup?

Mr. ROBERTS. Yes.

Senator SMOOT. All those metal parts are excepted in the paragraph itself.

Mr. ROBERTS. Senator; what I am getting at is the fact that we have a duty on this material, while our foreign competitor can obtain the materials for less than we can.

Senator SMOOT. But he has to pay the duty when it comes in on the saddle.

Mr. ROBERTS. I understand not.

Senator SMOOT. Section 1600 says: "Leather: All leather not specifically provided for," and that is what you are talking about now, "Harness, saddles, and saddlery, in sets or parts, except metal parts."

Mr. ROBERTS. Does that not refer to parts that are metals parts, rather than to metal parts in completed saddles?

Senator SMOOT. No; that means when a saddle comes in where there is a metal part in the saddle it does not come in free, but it takes the regular duty. That is what it means.

Senator WATSON. He says he has to pay a duty on it to get it in.

Senator SMOOT. He would have to pay a duty, but so would the importer have to pay the duty, just the same.

Mr. ROBERTS. I might say this: I do not mean to stand out against your interpretation, but if we imported a set of harness under your interpretation then we would have to pay a duty on the metal parts that were in the harness, would we?

Senator SMOOT. Yes; if you imported it. This is entirely different than it has been in the past.

Mr. ROBERTS. That is not the interpretation that the customs department has placed on it. I do not mean to say that they are right, but even though, Senator, the metal parts in a completed saddle were subject to a duty when the saddle was imported the other articles which are not so covered, that are needed in making these saddles, would make it impossible for us to compete with foreign manufacturers.

Senator WATSON. Do you know of any saddles like that that are being imported into the United States?

Mr. ROBERTS. Decidedly so.

Senator WATSON. Do you know what it costs them to make them in whatever country they are made in?

Mr. ROBERTS. No, sir; I can not answer that.

Senator WATSON. What does it cost you to make that saddle?

Mr. ROBERTS. \$42.

Senator SMOOT. The old law reads this way: It says, "Harness, saddles, and saddlery, in sets or in parts." Then it was true, as you say, but here it says "Saddles and saddlery, in sets or parts, except metal parts," and we except those when they come in here.

Mr. ROBERTS. The Senator understands the value of the metal in the harness will be subject to a duty?

Senator SMOOT. Just the same as if it came in by itself; it would pay the duty the same as if it came in that saddle. Whatever duty were imposed upon it, if it came in separately, would be imposed upon it in the saddle.

Senator McLEAN. The saddle comes in free. Was this brought to the attention of the Ways and Means Committee of the House?

Mr. ROBERTS. It was.

Senator McLEAN. What light did you get from that committee? It seems you did not get any relief.

Mr. ROBERTS. We did not get any relief, unfortunately.

Senator SMOOT. I think the only relief they got was the putting in of these words, "except metal parts," and no other. The balance comes in free, as it does under the existing law.

Mr. ROBERTS. We did not receive any consideration, unfortunately, because some members of the Ways and Means Committee were greatly concerned in the investigation of the United States Harness Co., which was up before Congress at that time, and they got onto that question, and before our representative who was speaking for the industry knew it he was told the time was up and he would have to retire, and hence there was no argument presented, and none of those matters were brought to the attention of the Ways and Means Committee.

I might add one other thing, that subsequently to the passage of the bill the secretary of our association had an opportunity to meet Mr. Fordney in Chicago, where he was addressing a convention, and the situation was presented to him, and the chairman asked if we did not hope to obtain relief from the Committee on Finance. We told him we did, but we were very sorry, indeed, that he had not seen that we obtained relief from the Ways and Means Committee and he replied that if we obtained relief from the Finance Committee he, being one of the conferees, would lend us his support.

Senator DILLINGHAM. What do you ask for?

Mr. ROBERTS. Thirty-five per cent, because Canada imposes a duty of 35 per cent. I can assure you that if a duty is not placed on this material England will get the business. Further, the phrase "Made in England" has an alluring charm for the American buyer of this class of goods.

Lower rates of wages prevailing abroad gives the foreign manufacturer a decided advantage. We can not maintain the American wage standard and conditions of labor and meet the foreign producer. Much of the handwork is done in the homes of the mechanics by members of their families, and so without overhead expense to the master producer. Similar conditions do not prevail in the United States.

Foreign-held surplus harness and saddlery stocks are a further menace to our industry. Offerings have been made of large quantities of material at prices much less than replacement value. The present business depression has sorely tried our industry, the largest consumer being the farmer class. Changes in methods of transportation have also impaired the scope of our field, and our industry has suffered from intensive advertising propaganda that has built up an erroneous public estimate of the true value of the horse in the economic life of our country. The horse is absolutely essential. No form of mechanical transportation has yet been devised that will displace "man's best friend" from the field of usefulness he has filled for untold years.

Evidently through misunderstanding, it has been assumed by some Members of Congress that the harness and saddlery industry has joined issue with other leather-working industries with the sole object of placing hides on the free list. Our problem is in nowise related to theirs. They may not require a duty on their product to protect their industry. We do, and we strenuously protest against being so grouped and considered on the basis of their merits.

We further respectfully urge that harness, saddles, and saddlery, in sets or in parts, be placed under a separate paragraph, and not included in and confused with materials used in other industries. Our needs and problems are distinct from those of the other industries mentioned in this paragraph; that is, "Leather: All leather not specially provided for; leather cut into shoe uppers, vamps, soles, or other forms suitable for conversion into manufactured articles; and leather shoe laces, finished or unfinished." This grouping, no doubt, resulted from copying the paragraph out of the Underwood bill. We feel that our request is eminently fair and just, as this information is essential to the gathering of accurate statistics on imports.

To the suggestions credited to a member of the Ways and Means Committee that section 302 of H. R. 7456 covers our needs, I would say that we do not see wherein this gives us protection. This section, in our understanding, is provided to meet unforeseen contingencies. If so used, this authority would be exercised only after much damage and loss and been sustained. Such a provision is no protection.

The Payne-Aldrich bill of 1909 recognized our industry as deserving of protection. The Underwood bill of 1913 removed this protection, and immediately following Canadian competitors offered

their wares in border territory at prices which our manufacturers could not meet. The World War immediately following saved the American market for us.

A concrete condition faces us, and we again respectfully urge that a duty of 35 per cent, equal to that imposed by Canada, be imposed on all imports of harness, saddles, and saddlery, in sets or in parts, finished or unfinished.

LEATHER SHOES.

[Paragraph 1601.]

STATEMENT OF JOHN S. KENT, BROCKTON, MASS., REPRESENTING NATIONAL BOOT AND SHOE MANUFACTURERS' ASSOCIATION OF THE UNITED STATES.

Mr. KENT. Mr. Chairman, my name is John S. Kent, of M. A. Packard & Co., shoe manufacturer, Brockton, Mass., and I am speaking in the interest of the National Boot and Shoe Manufacturers' Association in bringing to you their request for a protective duty of 15 per cent upon shoes. I will be as short as possible in presenting their case.

The importance of the industry, I think, is well understood. It ranks sixth and with its allied industries third among the industries of the United States. The 1919 report by the Bureau of Census shows there were 1,441 shoe-manufacturing establishments, which produced 329,528,900 pairs of shoes in the year, with an aggregate value of \$1,152,016,000, and with an annual wage distribution of more than \$200,000,000 among more than 200,000 workers.

It is an industry of great importance to every section of our country, and its welfare means the prosperity and happiness of a very large portion of our population. Of the 1,441 establishments producing shoes in 1919, Massachusetts had 488, Pennsylvania 128, Ohio 59, New Hampshire 52, Maine 39, New York 336, Wisconsin 62, Missouri 55, Illinois 51, and New Jersey 35, and others were located in Connecticut, Georgia, Oregon, Louisiana, Minnesota, Washington, Virginia, Michigan, California, and Maryland. The great number of concerns actively engaged in producing and marketing their products has resulted in maximum values to the consumer, keenest competition among the different companies operating factories, and the highest type of progressive business management.

The existence of so many separate and independent shoe-manufacturing concerns is the best possible guaranty against a trust or any attempt to control the price or quality of goods. No combination among the different concerns represented in our industry has ever existed. It has always been the desire of the leaders of the industry that independence of action should be preserved, believing that in this way the health of the industry can best be maintained and the interests of the people can be more effectually served.

The record of the American shoe manufacturer at home and abroad is one of honorable business achievement. His enterprise, initiative, inventive genius, and industry have resulted in a very high place for his product and a very strong position in the business world. We have always felt that the principle of a protective tariff for American industries has proven the wisdom of our legislators. The results obtained would certainly warrant such a feeling.

It may be that changed conditions make a high protective tariff less necessary than heretofore, but it is the opinion of a very large majority of the members of the National Boot and Shoe Manufacturers' Association, representing more than 90 per cent of the total production of shoes in this country, that a protective tariff representing as nearly as possible the difference in labor costs between our country and countries in which labor receives less and living conditions are poorer is necessary if our future is to be secure.

We should have such tariff protection as will give our manufacturers and workingmen a fair chance in their own market to meet unfair competition with other countries where lower wages and lower standards of living prevail. To-day the menace may seem remote, but the resumption of anything like normalcy in conditions throughout the world may make the situation acute. Nothing but the tremendous upheaval in trade and industry caused by the World War prevented a foreign commercial invasion in our industry soon after the passage of the present tariff law.

Our tariff policy of free leather and free shoes was attracting the attention of manufacturers of other countries to our American market in 1918 and 1914, and a very considerable increase in imports of leather and shoes had begun. Had it not been for the World War demands, immediately following, it is a reasonable conclusion that the foreign shoe would have made great inroads in our markets, affected employment and wage distribution in shoe-manufacturing industries of the United States.

Our experience during the last three years is a fair indication of the trend of foreign shoes in our market as foreign countries progress toward more normal conditions. The Bureau of Foreign and Domestic Commerce of the Department of Commerce reports imports of boots and shoes for the fiscal year ending June 30, 1919, 49,743 pairs; 1920, 94,277 pairs; 1921, 206,666 pairs. The value of these shoes was in 1919, \$208,513; 1920, \$374,853; and in 1921, \$795,570.

Senator WATSON. Where did those come from?

Mr. KENT. The shoes?

Senator WATSON. Yes.

Mr. KENT. They came some from England and some few from Germany, I think.

Senator WATSON. How about Japan?

Mr. KENT. Japan furnishes quite a number of the cheaper shoes that come here.

Senator DILLINGHAM. Do they have our American machinery in Japan?

Mr. KENT. They do.

Now the exports of the American shoe for the years 1920 and 1921 indicate the part which the American shoe is playing in our shrinking trade balance. The Bureau of Foreign and Domestic Commerce reports that for the fiscal years ending June 30 there were exported in 1920, 20,289,557 pairs, and in 1921, 12,581,181 pairs. The value of these shoes was in 1920, \$78,064,947 and in 1921, \$44,430,065.

Of course, it is needless to call your attention to the great handicaps placed by the foreign countries on the American shoe. One illustration, because near our market, will suffice for the present purpose.

Canada imposes a tariff of 30 per cent ad valorem on our shoes, and our export experience with Canada will indicate what we may

expect as we reach normal conditions, for in 1920 we exported 908,943 pairs of boots and shoes, and in 1921, 392,265 pairs.

Senator DILLINGHAM. You mean to Canada?

Mr. KENT. Yes; to Canada.

Now, we hoped that when the tariff bill under consideration becomes a law it will contain a clause giving the President authority to tax imports from countries that tax our products.

We are in abnormal times, and world conditions in industry and commerce are out of joint. There may be no immediate fear of foreign competition until financial conditions are settled, international affairs between our own and foreign countries stabilized, and the relation of the nations to each other securely fixed.

A tariff law when enacted will not be changed for a long time. Congress is not legislating for to-day but for the to-morrows that are to come, when the nations are at peace again and competition of foreign labor and lower standards of living must be met. The time may come soon when we face a serious problem and when the delays necessitated by a readjustment of the tariff will prove disastrous.

We must provide for what can reasonably be expected. Free trade in shoes, in which labor is so important a factor in cost, is likely to prove a very grave affair to our manufacturing and manufacturers in the near future.

We are firmly of the opinion that some measures of protection to the shoe-manufacturing industry should be included in the tariff bill. We may face serious consequences without it.

With free hides we believe the shoe and leather industry in this country would be safe from unreasonable foreign competition with a protective duty of 15 per cent. This would, however, not be protective at the present time, bearing in mind that the foreign rate of exchange would give European competitors an extreme advantage. As some time, however, will probably elapse before European manufacturers could adapt themselves to successfully enter the American market, 15 per cent tariff might serve, with the expectation that more nearly normal rates of exchange will soon prevail.

Senator McCUMBER. I think you might take a little tip and base your figures on the fact that there is a pretty big possibility that hides will not be free, and to make your estimates on the assumption that there will be protection against the farmer as well as protection against the manufacturer.

Mr. KENT. The reason I put that this way is that we have got to base it upon something in asking for our 15 per cent, and if that is the condition at present I was estimating on that basis. We know it is your job to frame a bill, the country expects it, and they expect there is going to be a protective tariff come out of this committee, and you will protect the industries you think need protection.

Senator McCUMBER. The whole country will have the protection.

Mr. KENT. Exactly. So we base our contention on the attempt to equalize conditions of labor between our country and countries that compete with us. If you find that exists in other articles that is for you to decide, not for us.

Senator McCUMBER. Of course, with a protective duty upon leather or upon hides, you would want a corresponding protection upon shoes.

Mr. KENT. Yes, sir; but we are not here to say anything about hides. We are here to talk about shoes and leave that to the committee, and our committee has full confidence in this committee to frame a proper protective bill just as a Republican committee should do and will do, I believe.

Senator WATSON. What is the condition of your industry now?

Mr. KENT. It is what you might call stopped. As a whole it is not good; perhaps not over 50 to 60 per cent of production throughout the entire country.

Senator WATSON. Have wages been reduced?

Mr. KENT. Wages have been reduced in some instances 20 per cent and in some others 10 per cent. I do not think the average would be over 10 per cent.

Senator WATSON. Whose fault is it that a pair of shoes in a retail store costs \$15?

Mr. KENT. It is the fault of the man who goes to the store to buy them, because he does not have to pay that much to get a good shoe. If he wishes to pay that much, he can get a better shoe for \$15 than he can get for \$8 or \$10.

Senator WATSON. Where?

Mr. KENT. In a number of retail stores right here in Washington.

Senator DILLINGHAM. Has there been a reduction in the price?

Mr. KENT. Yes; in the wholesale price.

Senator McLEAN. What do you get for a pair of shoes of the kind you mentioned?

Mr. KENT. We would get for a \$9 pair of shoes about \$6; that is, the manufacturer. From that must come the discount that the retailer would get and the cost of selling and everything besides production is counted in in that.

Senator WATSON. What per cent of that is the labor cost?

Mr. KENT. Of the \$6, the wholesale price, about 20 to 25 per cent. I saw a figure the other day of 21 per cent.

Senator WATSON. As the labor cost?

Mr. KENT. Yes. Now, a tariff on shoes would not add to their cost because of competition; as indicated in the beginning of my statement, there are more than 1,400 shoe-manufacturing concerns, all competing for the same trade in our home markets. No pool, pooling agreements, or combinations in any form has ever existed in the industry.

Senator WATSON. How much does the leather in a pair of shoes cost?

Mr. KENT. You mean the same shoe I spoke about, a \$6 shoe?

Senator WATSON. Yes.

Mr. KENT. It is hard to say right offhand. I haven't it in mind, Senator.

Now, the only effect that a tariff on shoes can have is to give that much protection to our domestic product against the foreign shoe and not lessen the distribution of more than \$200,000,000 to, and its expenditure in this country by, more than 200,000 wage earners.

Our purpose is to protect our industry against ruinous foreign competition and to preserve American standards of living among wage earners without adding an unnecessary burden upon American consumers.

ASPHALT.

[Paragraph 1603.]

STATEMENT OF W. E. HUMPHREY, REPRESENTING BARBER ASPHALT PAVING CO., WASHINGTON, D. C.

Mr. HUMPHREY. Mr. Chairman, I thank you for this courtesy, and I will take but a very little of your time and will not attempt to go into details. I represent the Barber Asphalt Paving Co. and a number of contractors in the South who are interested in paving. I want to present briefly my reasons why I think there should be no tariff on asphalt.

Senator WATSON. What paragraph is that, Mr. Humphrey?

Mr. HUMPHREY. It is paragraph 1603.

Senator McCUMBER. What tariff does this bill carry?

Mr. HUMPHREY. It is on the free list.

Senator McCUMBER. In the House bill?

Mr. HUMPHREY. It was placed in the House bill by the committee with the same tariff that was carried in the Payne-Aldrich Act, as I recall, but in the House it was voted out. So, it is now on the free list.

Senator McCUMBER. What you are afraid of is that it might creep in in some way?

Mr. HUMPHREY. Yes. I want to say, by way of introduction, that, of course, all of you gentlemen sitting at the table know I am an extreme protectionist, and if I have ever had any doubts about my convictions my recent trip to the New England States, where I saw many mills down for lack of orders because of the flood of foreign goods, would strengthen that faith, if needed. When I was first asked to present the argument for keeping asphaltum on the free list, I told my client if it in any way conflicted with the theory of protection, I would not present it. After examining the question, I believe that by placing asphalt on the free list you would be following out the protective policy. I am going to tell the committee in two or three minutes why I think so.

In the first place, there is no native asphalt produced in this country. Concerning asphalt produced from oil, I have nothing to say; I do not represent that interest.

Putting a protective tariff on native asphalt could not, therefore, possibly stimulate production or develop our natural resources. There is one lake in Utah that has a product somewhat similar called gilsonite, but that can not be used for paving or for the other general purposes for which native asphalt is used.

Senator CURTIS. There is asphalt in Oklahoma.

Mr. HUMPHREY. In the native state?

Senator CURTIS. Yes; in the Choctaw Nation.

Mr. HUMPHREY. In the sandstone?

Senator CURTIS. I do not know what shape it is in.

Mr. HUMPHREY. So far as ascertained, either by my clients or by the Government, there is no native asphalt in this country that can be used for paving or for the other general purposes for which native asphalt is used.

The next reason why I do not think you ought to have a tariff on it is because it takes three times as much labor to place a ton of

native asphalt in condition for use after it comes into this country as it does to produce the oil asphalt, its competitor. Therefore, there is no reason for a tariff to protect American labor.

It is not competitive because of the difference in price. To-day the price of Trinidad Lake asphalt is about \$28 a ton and of Bermuda Lake asphalt it is \$38 a ton, and the oil asphalt is about \$12 a ton. Hence there is no competition in price.

It does not need protection on the ground of protecting home industry, as is shown by the figures. You take for the years 1914 to 1918, inclusive, during the time it has been on the free list—the latest figures I have been able to ascertain—and during that time the oil asphalt produced in the United States was 5,513,000 tons, and the total imported was only 722,170 tons. During 1918, the last year for which I have been able to procure figures, the oil asphalt produced in this country was 1,176,000 tons, while the amount imported was only 114,686 tons. From 1914 to 1918 there was an increase of practically 100 per cent in the oil asphalt produced at home. During the same period there was a decided decrease in the amount imported. There can be no reason for a tariff on asphalt to protect the home industry.

Senator McCUMBER. I do not quite understand your argument. You say there is no real asphalt produced in the United States, and then you speak of imports as compared with home production.

Mr. HUMPHREY. I did not make myself clear.

Senator McCUMBER. I wish you would make yourself clear.

Mr. HUMPHREY. When I say "native," I mean the native lake asphalt. There is none of that produced in this country, but there is a large amount of asphalt produced from oil. The native asphalts are the ones I am talking about and insisting should have no protection.

These oil asphalts come largely from Mexico; you will take that up under oils and petroleums, and I have nothing to say about that. But in respect of these native asphalts it is a very much higher grade used, almost exclusively for paving, and there is none of it found in this country. So you could not develop the industry by putting a protective protection upon it. It comes from lakes; it is a natural product. But oil asphalt is produced in very large quantities in this country.

Senator McCUMBER. There is a great deal more of that used than that which you call the "lake asphalt"?

Mr. HUMPHREY. Yes. I designate it as "native," which is a term they use, as against "oil."

The native asphalt has been upon the free list under the Underwood bill. The oil asphalt has increased in production about 100 per cent here at home during that time.

I do not think native or lake asphalt is a proper subject for a revenue tariff, for this reason: Because practically all of the native asphalt is used in paving, and the paving is done principally, or largely at least, by the Government, by States, municipalities, towns, and cities. So that by placing a tariff upon it, if it was as I think, it clearly would be a revenue tariff and would add to the price of the article. You would take the tax from the importer, but would increase the price to the Government, States, and municipalities that use most of this native asphalt. I think it is an economic mistake

to tax a product of this kind that is used principally by the public, because in making the transfer from one pocket to the other there is always a loss.

And then another reason why it should not be taxed for revenue purposes is because the amount to be raised would be very small as compared with the rate imposed. Take it for the year 1919, the latest figures I have been able to procure, if it had been taxed \$1.50 a ton, as it was in the Payne-Aldrich law, it would only produce in revenue \$141,000. As a matter of policy, if you place a tariff upon asphaltum you will antagonize every municipality, town, city, and State that were building streets and roads, and all the automobile clubs in America.

So I think from that standpoint, as I argued to the members of the Ways and Means Committee, they were making a mistake, because they would stir up opposition from ocean to ocean for \$141,000. It proved for once that my prophecy was correct, because when it came to a vote on the floor of the House it was defeated by about 3 to 1.

I thank you for giving me this opportunity to be heard, and I would like the privilege of filing a brief.

Senator McCUMBER. That will be granted.

BRIEF OF W. E. HUMPHREY, REPRESENTING BARBER ASPHALT PAVING CO., WASHINGTON, D. C.

Asphalt in the United States is principally used in construction of streets and roads, for which purposes two kinds of asphalt are used—native asphalt, practically all of which is imported, and oil asphalt, manufactured from the residual oil produced in refining petroleum.

The amount of oil asphalt produced in the United States for the five-year period of 1914-1920, inclusive, the latest years for which figures are available, and the amount of native asphalt imported into the United States for the same period, is as follows:

Year.	Oil asphalt produced in the United States.	Native asphalt imported into United States.	Year.	Oil asphalt produced in the United States.	Native asphalt imported into United States.
	<i>Short tons.</i>	<i>Short tons.</i>		<i>Short tons.</i>	<i>Short tons.</i>
1914.....	674,470	137,352	1919.....	1,289,568	104,913
1915.....	1,052,821	135,276	1920.....	1,746,275	127,027
1916.....	1,260,721	147,383			
1917.....	1,347,422	187,473	Total.....	8,549,096	954,110
1918.....	1,177,819	114,686			

In considering the advisability of placing a tariff on a commodity it has heretofore been customary to consider as of great importance: First, the effect of such tariff on the price to the consumer of the commodity affected; second, whether the home industry producing the commodity was entitled to any protection from foreign competition; third, amount of potential revenue from such tariff.

As to the effect of such tariff on the consumer's price for the commodity, we must bear in mind that the native asphalts imported into this country are principally Trinidad Lake asphalt from the Island of Trinidad, and Bermudez Lake asphalt from Venezuela. The current price per ton in barrels at United States refinery of refined Trinidad Lake asphalt is \$27; for refined Bermudez Lake asphalt, \$38; and for oil asphalt, \$16. Imported native lake asphalts can not, in fact, compete on a price basis alone with oil asphalts, but the lake asphalts' qualities making them superior to oil asphalts for street and road construction accounts for the large amount of native asphalt used for this purpose, notwithstanding its higher price. The people paying for streets and roads constructed of native lake asphalts should continue to be permitted the advantage of this superiority in quality without the handicap of any additional cost imposed by a tariff. If a tariff is placed on native asphalts imported,

to this extent competition between native asphalts and oil asphalt will be profoundly affected (bearing in mind that their present difference in price is offset by their difference in quality), and the final effect will be that the price of oil asphalt to the consuming public will be raised by the manufacturer to the same extent that the price of lake asphalts had been increased by a tariff.

Respecting a tariff on asphalt for protection only: Experience and facts do not indicate that the artificial-asphalt industry of this country requires any protection, as the records for the years 1914 up to and including 1920 (during which time native asphalts have been admitted free of duty) show that the production of artificial asphalt from petroleum increased from 674,470 tons in 1914 to 1,746,275 tons in 1920, or an increase of 257 per cent, while the importation of native asphalts for the same period decreased from 137,362 tons in 1914 to 127,027 tons in 1920, a decrease of 9 per cent.

Furthermore, of the 1914 tonnage of artificial asphalt 313,787 tons were produced from crude petroleum imported from Mexico, while 1,045,779 tons were produced from the same source in 1920, showing that 40 per cent to 50 per cent of the total artificial asphalt produced in this country was derived from imported and not domestic crude petroleum, proving conclusively that there is no necessity for a tariff on asphalt for protection.

As to the effect of an asphalt tariff on American labor, your attention is again called to the statements before the Underwood committee by A. W. Sewall, president of the Barber Asphalt Paving Co., volume 1, 1913, page 486, at which time it was shown that three times more American labor is expended on a ton of imported native asphalt than on the same amount of artificial asphalt produced from petroleum.

In respect to a tariff on asphalt for revenue only, your attention is called to the very large appropriations made by the Federal Government (the last one November 9, 1921, for \$75,000,000) for aid to the various States in highway construction, involving hundreds of millions of public money. Federal responsibility does not stop with the initial appropriations but extends into the future in the providing for the maintenance of these highways. The amount of money necessary will largely be determined and governed by the materials used, care in the choice of types, and the conscientious and scientific effort expended in construction.

Native asphalts are recognized the world over as having superior merit and longevity as compared to artificial asphalts produced from and as a by-product of petroleum. They can not compete in price, but in quality only; consequently, any tariff upon asphalt that must increase its price to the American public will to the extent of such increase retard the use of the best materials at their lowest possible price.

If inferior asphalts are used, short-lived roadways requiring excessive future maintenance should be expected, with the result that the amount of Federal appropriation for maintenance will, of necessity, be much larger than if the best-known materials had been used.

The prime factor to be considered in the expense of highway construction is not its initial cost but its first cost plus the cost of maintenance per square yard per year of its ultimate life. It will be evident that a tariff on asphalt for revenue can produce only one result—that is, the procuring of a comparatively small amount of money, which will have to be spent many times over for the excessive maintenance of highways, whereas the admission of native asphalt free of duty, as at present, will continue to contribute much to the benefit of the Federal Government and the public through the saving made possible in the maintenance costs.

Further, the amount of petroleum available for fuel oil is decreased to the extent that petroleum is used in the manufacture of oil asphalt. It therefore follows that to the extent that a tariff on natural asphalt would limit its use in this country oil asphalt would be required to supply such want, reducing the amount of petroleum which would be available for use as fuel oil.

WOOD PULP.

[Paragraph 1610.]

BRIEF OF PETER G. THOMSON, HAMILTON, OHIO, REPRESENTING THE MIAMI VALLEY PAPER MANUFACTURERS' ASSOCIATION.

Senator CURTIS. Mr. Chairman, I would like to file a brief at the request of Mr. Peter G. Thomson, Hamilton, Ohio.

(The brief is as follows:)

Wood pulp of every description is now on the free list.

It is the purpose of this brief to present the respectful opinion of the Miami Valley Paper Manufacturers' Association that the interests of the country and

those of the paper manufacturers as a whole would be best served by allowing all pulp as mentioned above to remain on the free list.

The Miami Valley Paper Manufacturers' Association represents 19 paper mills located between Cincinnati, Dayton, and Chillicothe, Ohio, having a combined output of 478,000 tons per year, or about 10 per cent of all the paper produced in the United States, exclusive of newsprint. (No newsprint is produced by any member mill in the association.)

The members of the Miami Valley Paper Manufacturers' Association are convinced that their interests would be seriously injured by the imposition of a duty on pulp for the following reasons:

The wood-pulp industry does not require protection, as it has been developed to its utmost capacity, as is shown by the constantly increasing tonnage of imports necessary to fill the domestic demand. The united capacity of the domestic pulp mills is insufficient for any extensive period, on account of the limitation of a diminishing wood supply. From a bulletin issued in 1920 by the United States Department of Agriculture, Forest Service, we quote: "Our dependence upon foreign forests is increasing yearly. We can not count upon reducing the amount of pulp used." The fact that the United States already imports 20 per cent of the wood used in producing the pulp now manufactured is ample evidence that the domestic manufacture of pulp can not be greatly expanded to meet the constantly increasing demand for paper, which has increased more than 100 per cent in the last 20 years.

Out of the 146 mills manufacturing chemical pulp in the United States, there are only 15 that produce pulp exclusively for sale. The other pulp mills manufacture for their own requirements and offer only their surplus to the trade. As against the 15 pulp mills which manufacture chemical pulp for the general trade, there are about 600 paper mills in the United States which depend on purchased pulp in the manufacture of their products. The member mills of the Miami Valley Paper Manufacturers' Association are not manufacturers of pulp and beg to call your attention to the fact that under any imposition of duty on the importation of pulp they will be forced to buy pulp almost exclusively from their competitors.

If, however, in the discretion of Congress and for the purpose of raising revenue, excluding the theory of protection, a tariff should be placed on pulp, then we as an association earnestly request that an increased duty be placed upon finished paper to an amount which will equalize the increased burden placed upon us by such duty on pulp.

STATEMENT OF FRANK C. OVERTON, NEW YORK CITY, REPRESENTING ASSOCIATION OF AMERICAN WOOD PULP IMPORTERS.

Mr. OVERTON. My name is Frank C. Overton. I represent the Association of Wood Pulp Importers.

All I wish to say is that under paragraph 1610 wood pulp of every character is free. Our request is that these commodities be left on the free list.

Senator McCUMBER. You have a brief to that effect?

Mr. OVERTON. I have a brief to that effect.

Senator McCUMBER. I think it would be the best way to file it, as there are not many Senators here now to listen to you.

Mr. OVERTON. Under the circumstances, I will file it.

The point I want to make is, if in the discretion of Congress any duty is put on the goods that it be made specific. There has not been any opposition to this thing that I know of publicly made, but there has been a movement on foot to have a duty put on, and I want to head it off if it can be done.

Senator McCUMBER. Thank you.

(The brief referred to is as follows:)

Wood pulp of every description is now on the free list and there is no logical warrant for making it dutiable in order to protect American industries.

If, in the judgment of Congress, it is deemed advisable to make wood pulp dutiable solely because of the need of revenue, then before taking such action we respectfully urge that the following facts be given careful consideration:

(a) The wood-pulp industry does not require any protection for its future development, because, in the opinion of those familiar with the subject, the

industry in this country has been developed to its utmost capacity, a limitation on further development being placed upon the industry by reason of the continued diminishing supply of pulp wood. It is therefore necessary for paper manufacturers to obtain a portion of their supplies from foreign countries, and for the preservation of our own forests for future generations the importation of wood pulp should be encouraged.

The United States Government and the various States are making strenuous efforts to conserve our remaining forests and encourage reforestation, and if this policy is wise, it would seem only wise and logical to encourage rather than penalize imports of pulp from sources outside of the United States, such as Canada, Norway, Sweden, Finland, Germany, Austria, or other pulp-producing countries.

On January 13, 1921, Dr. Hugh Baker, Secretary of the American Pulp & Paper Association, had an article in the Paper Trade Journal entitled, "Our Forests and the Future of the Paper Industry." We quote herewith from the article:

"The disappearance of our forests over vast areas is going to have a serious influence upon the industry. For the next 25 to 50 years the problem of a permanent supply of wood for our eastern paper mills is going to be a very difficult one to solve. It will mean our turning to the forests of the Far West or Alaska or to the paying of a royalty of considerable amount to those who bring in wood, or pulp from outside our boundaries. Should it be possible to secure proper legislation and make a beginning in a reasonable effective way in protection and reforestation, we may expect in the course of 40 to 60 years to begin to produce on the forest land east of the Mississippi all the wood we will need for the paper industry of the country. However, due to carelessness of the past, the industry is facing fifty-odd lean years with the problem of raw materials a difficult one to solve and a problem which some mills may be unable to solve."

While Government agencies are strenuously endeavoring to reestablish our wood supply, would it not be somewhat inconsistent for Congress to take wood pulp from the free list and make it dutiable, thus placing barriers upon a raw material, the free entry of which would help conserve our forests?

(b) There is not enough wood pulp manufactured in the United States to supply the requirements of the paper mills. Not taking ground wood into consideration, it will be noted from statistics appended hereto that in bleached and unbleached chemical pulp the United States imported during 1919 20 per cent of their requirements and during 1920 24.8 per cent of their requirements.

Because of our decreasing wood supply and normal increase in the manufacture of paper, the percentage of foreign pulp required must necessarily increase in the future. During this period (1919 and 1920) the domestic mills were operating to capacity, so that the foreign supply was not displacing the home product but was in addition thereto.

(c) There are in the United States now in operation 818 paper mills and 322 pulp mills, of which 176 manufacture mechanically ground wood pulp and 146 unbleached and bleached chemical pulp. Many of the mills which produce either or both of these pulps use their entire product for conversion into paper in their own plants. There are, however, some which manufacture a surplus, which is sold to competitive or "converting" mills.

Out of the 146 mills manufacturing chemical pulps, there are only 15 that manufacture pulp exclusively for sale. The other pulp mills manufacture for their own requirements and offer their surplus to the trade in varying quantities. As against the 15 pulp mills which manufacture chemical pulp exclusively for the general trade, there are about 600 paper mills in the United States which depend on purchased pulp in manufacturing their products.

It is obvious that although wood pulp is the finished product of 15 pulp mills, it is the raw material of about 600 paper mills which do not make pulp. It is equally obvious that the paper manufacturers who buy pulp employ a vastly greater number of workmen in their plants in total than do the mills manufacturing pulp, and a tariff on pulp would discriminate against approximately 75 per cent of the paper manufacturers in the United States and be in favor of the 25 per cent of manufacturers who make their own pulp.

(d) Aside from the direct effect a duty on pulp would have upon the paper manufacturers as a whole, its widespread effect upon the public is entitled to careful consideration. With the desire and necessity of reducing the cost of all commodities so as to bring down the cost of living, a duty on pulp would necessarily increase the cost of paper—a commodity which can not by any stretch of imagination be termed a luxury. In its multitudinous uses, ranging

from wrapping paper to bank notes, and including such necessities as newspapers, magazines, schoolbooks, writing paper, books of record, etc., it is an everyday necessity, used by every man, woman, and child in the country, whether at the home, office, factory, or classroom.

The arguments applying to chemical pulp are equally applicable to mechanical or ground wood pulp.

For the foregoing reasons, based upon the greatest good to the greatest number, the Association of American Wood Pulp Importers believe that all grades of wood pulp should remain on the free list.

If the facts as enumerated are recognized, it would seem that any tax whatever for the purpose of protection, on raw material for the manufacture of paper, would be:

First. A tax that would adversely affect the efforts now being made to conserve our wood supply;

Second. A tax to benefit a few at the expense of many;

Third. A tax on the intelligence of the country.

If, however, as suggested in the beginning of this brief, in the discretion of Congress and for the purpose of raising revenue, excluding the theory of protection, a moderate tariff should be placed upon pulp, then we, as an association, earnestly and urgently request that the duty be made specific and not ad valorem. In our industry particularly an ad valorem duty on imported pulp would give rise to endless discussion and controversies as to the market value of pulps, and leave room for an honest difference of opinion as to the proper classification. The final determination would in many cases only be decided after a hearing before the Board of Appraisers or the Customs Court of Appeal, at expense to both the Government and the importer.

In the case of contracts at a fixed price for shipment over a period of time from abroad, there might be, and very likely would be, wide fluctuations of values at the time of entry into this country, and this feature would surely add to the many burdens which the importers already are bearing in their efforts to return to normal business conditions.

In conclusion we respectfully urge that if it is necessary to place a duty for revenue purposes upon the importation of such raw material as ground or chemical wood pulp, that, in addition to having said duty specific, same shall be applied to what is known as the "air-dry" contents of each shipment regardless of gross weight. Imported pulp varies in percentage of dryness from 45 to 100 per cent air-dry. The term "air-dry pulp" in the pulp industry, means 90 per cent of absolutely dry pulp and 10 per cent of atmospheric moisture.

To state the matter in its simplest terms, 100 pounds of air-dry pulp, according to universal trade usage, consists of 90 pounds of bone dry wood or fiber, and 10 pounds of moisture.

The air-dry contents of any shipment can only be determined by the most careful tests involving careful weighing and proper methods of sampling and drying. If any duty whatever is to be assessed on pulp, the methods of testing for moisture should be those approved by long and careful experience, and we, therefore, respectfully urge that the Government methods be made to conform with those jointly approved by the Association of American Wood Pulp Importers and the American Paper & Pulp Association.

The following figures show the total tonnage of domestic and imported chemical wood pulp produced in the United States, and imported during the years 1919 and 1920.

The totals include both bleached and unbleached sulphite and sulphate pulps:

	Domestic.	Imported.	Per cent imported.
	<i>Tons.</i>	<i>Tons.</i>	
1919.....	1,547,593	387,280	20
1920.....	¹ 1,815,890	601,026	24.8
Total for 2 years.....	3,363,492	988,315	22.7

¹ These figures for 1920 are approximate. The tonnage for the first 11 months was 1,664,574, and the tonnage for last month is not available; therefore, one-eleventh has been added to this tonnage for 11 months, to indicate the approximate domestic production for the entire year.

Members of the association, all of New York City: American Wood Pulp Corporation; Andersen, J., & Co.; Atterbury Brothers (Inc.); Beebe, Ira L., & Co.; Bertuch, Frederick; Butterworth, Edwin, & Co.; Castle, Gottheil & Overton; Craig Becker Co. (Inc.); Enders, Fred, & Co. (Inc.); Goldman, S.; Hammond, R. F.; Lagerlof Trading Co.; Nilsen-Rantoul & Co. (Inc.); Pagel, A. J., & Co. (Inc.); Patton, J. F., & Co. (Inc.); Parsons & Whittemore (Inc.); Perkins-Goodwin Co.; Price & Pierce (Ltd.); Rantoul, C. W.; Scandinavian-American Trading Co.; Sergeant, E. M., Co.

STATEMENT OF A. C. GOODYEAR, REPRESENTING BOGALUSA PAPER CO., BUFFALO, N. Y.

Mr. GOODYEAR. Senator, I represent some 20 or 30 manufacturers of chemical wood pulp, having mills from New York to Florida and as far west as the Mississippi River and as far north as Wisconsin. I simply want to emphasize that we are asking for a change in paragraph 1610 to provide for a duty of 0.6 of a cent a pound on unbleached pulp and 1 cents a pound on bleached pulp, with, in each case, 5 per cent ad valorem, based on American valuation.

I want to emphasize further that we are asking only for a duty on chemical wood pulp, and not on ground wood pulp. Newsprint and cheap papers are made from ground wood pulp which is a mechanical pulp and not a chemical pulp. We do not ask any duty on that, but simply on mechanical wood pulp.

The chemical pulp industry faces the most serious situation in its history.

Manufacturing costs in the United States are so far in excess of foreign manufacturing costs that competition is out of the question. American mills that are running are doing so at a heavy loss for the purpose of furnishing work to their married employees.

The cost of chemical pulp is largely labor cost, at least to the extent of 75 per cent. It is utterly impossible that American labor can compete with foreign labor. This table shows a comparison of wages in Germany and wages in America in the industry:

	Rate per hour.			Rate per hour.	
	Germany.	Kalamazoo district.		Germany.	Kalamazoo district.
Machine tender.....	7	72	Beater engineers.....	6.25	65
Backtenders.....	6.4	54	Roustabouts.....	5.8	35
Third hands.....	6.12	47	Counters—bench girls.....	6.1	65

German wage rates figured at exchange rate of 1.40 cents per mark.

It is similarly impossible for chemical pulp mills to continue operation for any considerable period under existing conditions. All chemical pulp mills are selling their product for less than cost of manufacture.

Foreign pulp is for sale in New York at \$10 to \$20 per ton less than cost of manufacture in American mills.

Cost and selling price of pulp, Aug. 23, 1921.

	Composite cost chemical pulp, 14 Amer- ican mills.	Selling price of foreign pulp.
Bleached sulphite.....	\$96.36	1 \$75
Unbleached sulphite.....	64.44	1 50-60
Soda.....	84.93	78
Bleached sulphate.....	73.68	1 50

¹ Ex-dock, New York.

In brief, the situation is that American chemical pulp mills are competing with labor paid one-tenth of the American wage. Naturally, they are running at a heavy loss. The industry is in a very perilous situation.

If any industry in the United States deserves protection it is the chemical pulp industry. Roughly, it employs 20,000 men in its mills and 10,000 men in the woods; \$233,000,000 of capital is invested. It uses a raw material that is useless for any other industry and which exists in the United States in sufficient quantities to supply chemical pulp to the entire world.

STATEMENT OF PETER G. THOMSON, JR., REPRESENTING THE CHAMPION FIBER CO., CINCINNATI, OHIO, AND CANTON, N. C.

Mr. THOMSON. I will take just a few moments of your time. I want to divide up my time with Mr. Hammer and Mr. Campbell, who will speak on behalf of the farmers.

We are the largest makers of chemical pulp in the South, ours being the largest chemical pulp mill on the Southern Railway system and paying the most in freights. Our wood supply comes from the surrounding States, and getting it out gives employment to a large number of people. In fact, the pulp-wood industry ranks as the most important in North Carolina, where our mills are located, as a source of revenue to farmers and small landowners. In normal times our wood purchases amount to a quarter of a million dollars monthly and our monthly pay roll to \$130,000, making a wide distribution of money in farming and pioneer districts, where it is so badly needed.

Owing to the large importations of foreign chemical pulp free of duty, at prices below our costs, our wood purchases have stopped, our mills have shut down, and thousands of our workers and their families are in actual want.

Senator SMOOT. What are you asking?

Mr. THOMSON. One cent a pound on bleached chemical pulp and six-tenths of a cent on unbleached chemical pulp.

Senator McLEAN. What do you mean by "chemical pulp?"

Mr. THOMSON. I mean pulp made by a chemical process.

Senator McLEAN. What is the difference between chemical pulp and the other kind?

Mr. THOMSON. Mechanical pulp is the pulp from which news paper is manufactured, and is made by putting wood against stone—a revolving grindstone. We are asking this rate on chemical pulp only.

Senator McLEAN. Do I understand that you do not conflict with those who want free paper?

Mr. THOMSON. None of our pulp is used in making news papers, and a duty on chemical pulp would not increase the price of paper.

Senator SMOOT. It is used in all kinds of paper with the exception of print paper.

Mr. THOMSON. It is used in paper like this [indicating].

Senator McLEAN. The cost must be greater.

Mr. THOMSON. It is very much more.

Senator McLEAN. It seems to me that you might be entitled to some little protection.

Senator SMOOT. The cost is greater.

Senator McLEAN. What are the importations?

Mr. THOMSON. The importations are large and the American mills have shut down because they can not meet the foreign price. It is a very serious situation.

Senator McLEAN. Will you put those importations in your brief?

Mr. THOMSON. I should like to have my brief filed with Mr. Good-year's brief.

Senator McCUMBER. Very well.

Mr. THOMSON. Our workers, normally about 2,400, are all white, native-born Americans, and we want to employ them so that they can live according to American standards, with proper homes, schooling, and hours of labor. We have built a large Y. M. C. A. community house where, with the Federal Board for Vocational Training and the North Carolina State Board of Vocational Training, we have completed courses for training foremen and night classes for educating employees in pulp and paper making, electricity, boiler-house practice, etc.

Mr. Frank Cushman, agent for the Federal Board, said we had the best organization he had ever seen. I mention this not from brag-gadocio but to show that we have an efficient plant. We have built and maintain a large store, which we give without charge to employees who manage it, selling coal and all supplies at cost; sick and death benefits are distributed.

We operate on the 8-hour basis, and desire to continue this practice, but we can not do this and pay suitable wages if foreign chemical pulp made with their different ideals of labor comes in free of duty.

We recently received a letter from a superintendent of a chemical pulp mill in Finland, advising us that the Finnish workers were all imbued with the ideas of sabotage and bolshevism and asking us to give him a position as a laborer in our mills. He said, "I would rather be a worker in America than a master in Finland." How can the foreign chemical pulp-mill workers be other than bolshevists when they are obliged to work 12 or more hours per day at ridiculously low wages, use straw put in wooden shoes as socks, with black bread almost their only food?

The supplies and materials which we purchase are all protected with duties, and we can not meet the competition of foreign chemical pulp made with such cheap labor. We ask sufficient specific and ad valorem duties to enable us to continue in business. Through reforestation we have a perpetual supply of wood. The chemical pulp mills (whose costs are over 70 per cent labor) can supply the entire requirements of this country forever, if not driven out of business.

None of our pulp is used in making news paper, and a duty on chemical pulp could not increase the cost of newsprint paper.

BRIEF OF PETER G. THOMSON, JR., REPRESENTING THE CHAMPION FIBER CO.

This brief is in the interest of farmers in every section of the United States who sell pulp wood to chemical pulp mills and whose incomes from this source are cut off because many mills can not buy. It is also in the interest of the manufacturers of chemical wood pulp. Chemical pulp is made from wood and other organic material, and from it is made high-grade paper, also wrapping paper; but newsprint paper is not made from chemical pulp, but from mechanical pulp. A duty of 1 cent per pound is asked on bleached chemical pulp, and of 0.6 cent per pound on unbleached chemical pulp.¹

DIFFERENCE IN PULP.

Three kinds of wood pulp have been recognized in former bills for purposes of tariff: Mechanical pulp, unbleached chemical pulp, bleached chemical pulp.

Mechanical pulp is produced from peeled blocks which are reduced to a fiber when they are placed against a grindstone 2 feet in diameter, revolving in the presence of water. This is the cheapest form of pulp, because no chemical process is involved in its manufacture. From mechanical pulp is made newspaper and cheap print paper. This form of pulp is particularly eliminated from consideration in this brief, which asks a duty on chemical pulp only.

Chemical pulp is an entirely different product from mechanical pulp. It is made from almost any species of wood. It is made from poplar, jack pine, old field pine, yellow pine, yellow poplar, tamarack, gum, white fir, cottonwood, white pine, spruce, hemlock, balsam fir, beech, birch, maple, chestnut, slabs, and other mill waste, straw, bagasse, cornstalks, and may be made from any organic growth containing fiber.² When wood is used as a raw material for chemical pulp, it is cut into blocks, peeled, and reduced to chips by machines similar in principle to the silage cutter. These chips go into immense retorts, protected with acid-resisting linings that must be renewed approximately once a week. There they are cooked in various chemical solutions, reduced to the ultimate cellulose fiber, and manufactured into sheet pulp which resembles thick blotting paper. This is later manufactured into various types of paper at paper mills, the varieties including the most expensive papers, the medium grades, wrapping paper, etc.

CHEMICAL PULP SHOULD HAVE A DUTY.

Every feature that has been regarded as a basis for assessing a protective duty exists with reference to chemical wood pulp, and it is doubtful whether there is any article on the imported list for which so many reasons can be assigned why a duty should be levied. It is entitled to this duty because 50 to 60 per cent of its cost is labor, and the wage of the labor used in its manufacture is higher than in foreign countries. It is entitled to it because of the great amount of labor that can be employed in its production, for the benefit of American labor and the country at large alike. It is entitled to a duty because chemical wood-pulp production turns a raw material otherwise worthless and unmarketable into a valuable product and increases the area and value of tillable land.

It is believed that no other industry adds so much directly to the national wealth; in addition, the pay rolls of pulp mills are distributed to the laboring men and farmers developing the new lands of this country and are one of the few sources of cash in pioneer districts.

FIELD FOR THE MANUFACTURE OF CHEMICAL PULP.

The raw materials for chemical pulp are not confined to any section, but exist in profusion throughout the United States. Without considering any other raw material than wood, millions of cords of pulp wood are available in the Middle Atlantic States, in the Middle West, in the Far West, and in the immense forests on the unused lands of the South, awaiting the advent of the pulp mill. There is enough wood standing and growing in the United States to maintain the chemical pulp industry in perpetuity.³ This is not denied in any authoritative quarter. It can not be denied. In 1920 there were consumed of all species of wood in the production of chemical pulp alone 4,522,649 cords. Eliminating saw-timber lands, there exists in the United

¹ For data on newsprint see Appendix A.

² For species of wood used in pulp see Appendix B.

³ For forest areas and for resources of pulp wood available see United States Forestry Service estimates, Appendix C.

States 132,859,000 acres of land adapted for nothing but the production of pulp wood. This land has on it at present standing pulp wood estimated at 707,350,000 cords, a supply for nearly two centuries. The annual growth of pulp wood on these lands is estimated at five times the total wood consumed yearly in the chemical pulp industry, or 24,230,000 cords.¹

All of the abundant varieties of wood are potential raw material for the chemical-pulp mill. It does not compete with the saw mill but can begin where the saw mill leaves off, for the pulp mill can economically use wood from five inches in diameter up. It can use the timber that is waste, the timber that is too small for the saw, the young second growth, small wood, such as gum, that is not available even for cord wood purposes. The chemical-pulp mill is the agency that makes it possible for the farmer to clear waste land at a profit and bring it to the uses of agriculture. There are millions of acres of potential pasture land in the east alone that await the day when the cost of clearing can be paid for by the timber (not saw timber) that grows on it.

THIS WOOD CAN BE USED IN ONLY ONE WAY.

The produce of these millions of acres is good for one purpose and only one purpose, chemical pulp. This great source of raw material, a vast national asset, belongs to thousands of Americans. Their labor would clear it, providing them thereby with income. The capital frozen in it can be turned over and the land made productive either as agricultural land or as a source of new pulp-wood production. Yet these Americans are condemned to stand idle and watch the chemical-pulp industry follow the mechanical pulp-industry into Canada, where lower manufacturing costs lure American capital by offering large profits for the time being. The labor Americans could supply is bought in foreign markets, in Germany, Finland, Canada, Sweden, and Norway. The raw material Americans could supply is bought in the same markets. The foreign producers ship into the American market annually about 500,000 tons of chemical pulp that could be made in America from American raw material by American labor. They ship it in free of duty. On good markets they take the maximum price and exact two, three, even five times the profit the American producer can make with his higher costs. In dull markets foreign manufacturers utilize their low cost to cut below the lowest possible American mill costs and force American pulp to wait in a disorganized market until demand increases to a point where the market can absorb lower priced foreign pulp and the American production in addition.

This exact situation exists to-day. The customs division investigating reports of dumping find that Germany, Finland, Scandinavia are not dumping (as dumping is technically understood) but, on the contrary, are throwing into the disorganized American market thousands of tons of chemical pulp which they are selling at a price 30 to 50 per cent higher than the price at which it is offered in the foreign home markets. This situation exists in spite of the fact that American mills are standing idle because they can not produce goods at the present market price, on account of higher costs.²

AMERICAN PRODUCERS REQUEST MERELY A MODERATE DUTY.

If a prohibitive duty (which is not thought of) were placed on chemical pulp American resources would soon supply the entire requirement of the American market and continue to do so in perpetuity.

But this is not asked. American producers request merely a moderate duty, a duty that will not affect the price of pulp, but which will force foreign producers to pay out of the extra profits they earn by virtue of lower production cost their just share of the expenses of maintaining the American market; a duty that will partially protect American producers in a bad market; a duty that will make foreign locations less attractive to American capital and turn its eyes to American resources.

Such a duty was accorded the producers of chemical pulp consistently from 1883 until the Underwood tariff. A Republican Congress, elected on a protective platform, is now asked to reestablish the duty on chemical pulps, to promote the growth of the industry, to promote the utilization of one of the great national resources of America, to provide a progressively increasing market for American labor in outlying sections.

¹ American mills can supply entire American requirement of Chemical pulp; Appendix H.

² Heavy increase of German and other European exports of chemical pulp to America; see Appendix D.

³ See Government estimates of lower manufacturing costs for chemical pulp in foreign countries, Appendix E.

PROBLEMS CONFRONTING THE CHEMICAL PULP MILL.

The chemical pulp mills of the United States represent an investment of many millions of dollars, give employment to thousands of men at high wages, and in 1920 afforded a market for 3,713,184 cords of domestic wood fit for no other purpose, thus giving income to thousands of farmers and landowners for a product available in no other market.

As a group these mills are confronted by two serious problems:

First. Heavy investment of capital and slow turnover.

Second. The necessity of a moderately stable market. In the chemical pulp industry an investment of about \$50,000 for every thousand board feet of daily consumption is required; or \$5,000 to \$7,000 per person employed, whereas the lumber industry (for purpose of comparison) requires an investment of only \$1,500 per thousand board feet daily capacity. An important consequence of this heavy capital investment is commitment of pulp mills to a given locality when once established. The census for 1914 shows investment in pulp mills to be \$36,027,869 and the value of products \$20,526,386. A manufacturing plant in which the plant merely equaled in value the annual output would be regarded as having a relatively large fixed investment.¹ But in pulp mills the ratio is nearly 2 to 1.

CHEMICAL PULP MUST HAVE A STABLE MARKET.

By its very nature the industry has little elasticity and faces disaster in a market given to considerable fluctuation. Wood, the raw material, is purchased by yearly contract. It must be cut, peeled, and dried before shipment to the mill. The process of manufacture and the turnover is slow. The manufactured product is not susceptible of storage, because of its great bulk and must be marketed promptly. The raw wood deteriorates rapidly if held in the open air, thousands of cords piled over many acres of land as it must be, and is subject to great fire risk. To illustrate the situation: The Champion Fiber Co. of Cincinnati, at its mills at Canton, N. C., in the spring of 1921 was still buying wood under war contract prices and was storing it in yards already overloaded with thousands of cords of wood that was rapidly deteriorating. Yet at this very time the mill was shut down because the pulp market had broken months before under the attack of foreign pulp that was selling far below the cost of manufacture in this new, modern, and efficient mill.² This pulp was coming from Germany, Finland, Sweden, Norway, Canada. The United States was a dumping ground in a depressed market for foreign producers who had not sold cheap in good times, who had paid none of their extra profit in the form of duty and who, in bad times, could and did utilize their lower manufacturing costs to undersell American producers.

ANOMALOUS POSITION OF CHEMICAL PULP MILLS.

Except the wood itself, the chemical pulp mills must buy in a protected market. They must buy protected labor, protected chemicals, protected machinery, protected felts. (The felts, used to catch wet fiber from the screen, alone cost \$30,000 to \$50,000 a year in one mill.)

They make a product that can not be exported even to Canada because of a heavy adverse duty of 25 per cent. Foreigners can export free to America, but the American manufacturer enjoys no reciprocal advantage.

Chemical pulp mills make a product that must be sold in America, in good times competing with foreign pulps that pay no duty and exact top price, and in bad times competing with foreign pulps admitted free of duty, produced at lower cost than is possible in America and able to force the market to absorb them first, while American producers and American labor stand idle, patiently awaiting the time when they too, may enter their own market.

They make a product that must be manufactured into paper in America, paper protected by duty from foreign competition. The foreign manufacturer of paper can not throw his paper on the American market in a dull time, because a duty protects the American manufacturer of paper, but he can stop his paper machines and throw his pulp on the American market.

¹ Taussig: Principles of Economics, vol. 4, p. 366.

² See Government statistics showing idle hours for pulp mills in 1921 for lack of orders, Appendix F.

THE EFFECT OF PROTECTIVE TARIFF ON CHEMICAL PULP.

The duty suggested would give a revenue to the United States of approximately \$3,000,000 to \$5,000,000 per year. This revenue would not come from the consumer, but would be paid by the foreign producer.¹ It would protect the American producer from unhealthy competition in periods of depression. It would not increase the cost of pulp or the cost of paper, but would stabilize the pulp market, induce the investment of capital in the pulp industry, promote efficient instead of spotty production, and point the way for the utilization of our own vast national reserve of raw materials and of labor in the thinly settled districts.

The matter of revenue is merely a question of arithmetic. In 1920 America produced 2,250,000 tons of chemical pulp and imported 601,016 tons. These importations, if taxed as suggested would have yielded \$5,851,360 of revenue (Appendix G and H).

As previously stated, this revenue would not be a tax on the consumer, but on the foreign producer. American production fixes the price of chemical pulp in America. The foreign producer does not cut the price, but by selling at the market obtains greater profits than the American producer can possibly obtain, because the American's manufacturing cost is much higher. A duty on chemical pulp would be absorbed, therefore, by the foreign producers and would operate merely to offset their advantage of low cost of production, requiring them to accept a profit nearer that which the American producer obtains, forcing them to pay part of their additional profits to the Treasury of the United States.

PROTECTION IN PERIODS OF DEPRESSION.

The American production of pulp is so great that in normal times it fixes the price in the American market. This price ought to afford a sufficient margin of profit to maintain the industry. For normal markets and normal times the industry merely asks that the foreign seller in the home market be required to pay his just share of the cost of maintaining that market, his share being paid out of the extra profits collected by him by virtue of his preferred position resulting from lower cost of production. In the abnormal or depressed market the American manufacturer of chemical pulp demands and requires protection against a foreign competition that can throw, and is now throwing, its product on the American market profitably at a price below the cost of American production and forcing American surplus to wait for buying demand until the foreign product has been absorbed. Such protection does not increase price, but maintains a low price over a longer period of time than is comprehended by a bad break and quick reaction; in other words, stabilizes the market. The price average for the period of depression is not affected.

A tariff to produce revenue and protect the industry in periods of depression would not affect the price of pulp, except that it would tend to stabilize the American price. The price of pulp is fixed by the demand and the supply. Unless it is argued that a moderate duty would force foreign production out of business, and thus decrease the supply of pulp seeking market, it can not be asserted that either supply or demand would be affected in any way by the tariff and, it follows, price would not be affected. No argument that foreign production would be forced out of the market can be maintained in the face of the admitted lower cost even in Canada, which is most nearly among all nations an even competitor. Export trade is not a factor, as we export practically no pulp of any kind.

WHAT HAS HAPPENED IN THE PAPER INDUSTRY.

The industry was founded in the north on account of the great forests of spruce, the only wood considered available for pulp in those early days. As the industry grew and sought new sources of supply, Canada, close at hand, with vast resources was the attractive region for expansion, particularly in view of the fact that in Canada production costs were lower than in the United States, and no duty intervened between production in Canada and market in America.

Expansion into Canada resulted in heavy investment of American capital in that country largely by mills producing mechanical pulp for newsprint paper, pay rolls of their mills going to foreign labor. Presumably this expansion will continue until our own resources of spruce are exhausted, and Canadian costs rise to a point which will make reforestation profitable in the American North, or turn the initiative of the men engaged in the industry into a search to utilize other raw materials than spruce.

¹ Tabulations showing revenue possibilities of chemical pulp.

CHEMICAL PULP MILLS SHOULD STAY IN AMERICA.

Chemical pulp mills are the mills that have resisted the lure of Canada. The vanguard of this branch of the industry is now in Virginia and West Virginia, North Carolina, South Carolina, Maryland, Georgia, Texas, Louisiana, Mississippi, California, Washington, and Oregon, adapting new woods to the requirements of their product, tapping vast resources of pulp wood, paying American labor, providing a market for American stumpage, experimenting resourcefully, discovering new methods providing pay rolls in pioneer districts where cash money is needed so desperately.

Chemical pulp producers do not ask for protection against foreign competition in normal times, but they do ask most emphatically:

First. That foreign mills be required to pay into the Treasury of the United States a share of the excess profits they obtain in this market over and above American producers as a result of their lower manufacturing cost.

Second. That a nominal duty be imposed that will act to prevent foreign pulp breaking the American market in periods of depression.

APPENDIX A.

NEWSPRINT PAPER NOT AFFECTED BY DUTY ON CHEMICAL PULP.

In making newsprint or cheap print paper 15 to 20 per cent of unbleached chemical pulp is mixed with the mechanical pulp to give strength to the paper.

But print paper would not be affected by a duty on chemical pulp for three reasons:

1. Practically all American mills that make newsprint paper manufacture their own pulp.

2. At least 80 per cent of these mills manufacture the chemical pulp they use. They do not buy this chemical pulp but, on the contrary, manufacture a surplus and offer it for sale.

3. Print paper, mechanical pulp, and newsprint paper all come into the United States free of duty.¹

APPENDIX B.

ALL KINDS OF PULP WOOD USED IN 1920.

In the early days of the industry spruce was considered the only pulp wood. But now all kinds are used even by mechanical pulp producers.

Kind of wood.	Cords of domestic wood reduced by pulp mills.			
	Mechanical process.	Sulphite process.	Soda process.	Sulphate process.
Hemlock.....	64,768	777,705	.....	43,012
Balsam fir.....	35,239	257,823	.....	35,820
Yellow pine.....	11,653	4,879	147,435	159,467
Spruce.....	1,144,888	1,345,477	1,763	73,659
Poplar.....	4,409	1,467	184,070	.....
Yellow poplar.....	905	.....	471,813	1,280
Tamarack.....	5,596	14,450	.....	49,705
Gum.....	.....	.....	69,914	.....
White fir.....	17,514	24,348	.....	.....
Jack pine.....	12,662	.....	.....	27,390
Cottonwood.....	2,028	.....	23,762	.....
Basswood.....	.....	.....	10,469	.....
White pine.....	1,667	35	.....	500
Beech, birch, and maple.....	.....	171	122,222	.....
All other woods.....	.....	.....	95,319	.....
Slabs and other mill waste.....	.....	143,339	21,104	5,786

Table from "Pulp Wood Consumption," United States Forest Service.

America has sufficient raw material to supply pulp perpetually for the entire world. (See Appendix C.)

¹ Information obtained from the United States Forestry Bureau.

APPENDIX C.

Vast resources of pulp wood available.

	Original forest.	Present forest.	Chemical pulp wood land.	Annual growth of chemical pulp wood.
	<i>Acres.</i>	<i>Acres.</i>	<i>Acres.</i>	<i>Cords.</i>
New England.....	39,905,000	24,708,000	8,372,000	2,270,000
Middle Atlantic.....	69,610,000	28,678,000	10,793,000	2,280,000
Lake.....	103,680,000	57,100,000	12,570,000	1,673,333
Central.....	170,560,000	56,682,000	24,011,000	3,913,333
South Atlantic.....	170,240,000	99,000,000	32,060,000	7,090,000
Lower Mississippi.....	128,400,000	73,955,000	24,675,000	4,000,000
Rocky Mountain.....	63,720,000	60,842,000	14,533,000	1,760,000
Pacific coast.....	77,120,000	57,586,000	6,425,000	2,896,666
Total.....	822,238,000	463,461,000	132,859,000	24,230,000

This table does not include Alaska, which is reckoned to have enough pulp wood of all kinds to supply the entire requirement of America for mechanical and chemical pulp, forever.

Chemical pulp mills, using as they do almost every species of American wood, have supplies of raw material now standing to last them two centuries on lands which are each year growing five times as much wood as the mills use annually. There is no shortage of raw material. America could supply chemical pulp for the entire world.

But American mills can not sell in foreign markets because they are ruled out by excessive duties and because foreign mills can manufacture pulp cheaper than the most efficient American mills. American mills have only one market—America. In this market the foreign producer is permitted to enter duty free and sell his cheap labor and his foreign raw material. In good markets he exacts heavy profits. In bad markets he can profitably undersell American cost and by so doing force American mills to shut down until demand increases sufficiently to take care of their products also.

APPENDIX D.

CAN GERMANY AND THE OTHER EUROPEAN PRODUCERS OF CHEMICAL PULP COME BACK?

Germany, with the war out of the way, is rapidly increasing her exports of chemical pulp to America. Other European countries are keeping pace. In the third quarter of 1921 bleached sulphite pulp imported from Germany was 15.4 per cent of total imports.

	1919	1920	1921 ¹
	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>
German exports to America of chemical pulp.....		15,868,000	23,432,000
Exports of chemical pulp to America by all other countries except Canada.....	206,938,000	370,063,000	201,884,000
Total.....	206,938,000	385,931,000	225,316,000

¹ First three quarters of 1921.

Even the low price of 1921 did not affect these foreign producers materially, for they can produce at so low a cost that in the first three quarters of 1921, with American mills standing idle over the entire country for lack of orders, foreign mills not including Canadian mills, threw 225,320,000 pounds of chemical pulp on the American market. Germany found business good enough to increase her 1920 shipments 67 per cent in the 1921 period, although she sold her pulp in America below American producers' cost.

APPENDIX E.

COST OF MANUFACTURE IN FOREIGN COUNTRIES.

The only available United States Government figures for the chemical pulp industry show that Canadian cost of manufacture is much lower than cost in the United States. This is due to lower labor cost, more accessible wood supplies, better water, etc.

In 1915 Canadian cost was 14.6 per cent lower than American cost. In 1916 Canadian cost was 23.5 per cent lower than American cost.

(See Tariff Information Surveys, wood pulp and rag pulp, 1921, p. 30. Prepared by United States Tariff Commission and printed for the use of the Ways and Means Committee.)

Data now being collected by the customs division, Bureau of Commerce, not yet published but available to Senators, shows that European countries are selling chemical pulp at home 30 to 50 per cent lower than the price they exact when exporting to the present demoralized American market. So it is a fair inference that their costs are much lower than costs in Canada.

The best evidence that American costs are higher than the costs in any other country for producing chemical pulp is that America can not compete with foreign producers in any foreign market and has practically no export trade in chemical pulp—a small fraction of 1 per cent. But foreign producers can compete with America in her own home market and undersell her there.

APPENDIX F.

IDLE HOURS OF CHEMICAL PULP MILLS IN 1921 CAUSED BY LACK OF ORDERS ONLY.

In chemical pulp mills the digesters and grinders are the controlling or basic machines. When they are not running the mill is not running. The table below shows the idle hours over the entire United States of chemical pulp mills as a result of lack of orders in 1921 at a time when Germany was able to profitably increase her export trade to America at prices below American cost and at a time when Germany was selling the same goods much cheaper at home. There were many other idle hours during this period from such causes as repairs, lack of water, etc. But this table does not include idle hours for any reason except lack of orders.

	Number of grinders and digesters reporting from chemical pulp mills.	Total idle hours from lack of orders for machines reporting.	Average idle hours per day for the machines over the entire United States from lack of market.		Number of grinders and digesters reporting from chemical pulp mills.	Total idle hours from lack of orders for machines reporting.	Average idle hours per day for the machines over the entire United States from lack of market.
January.....	202	52,031	9.0	July.....	275	73,404	10.3
February.....	213	37,641	7.7	August.....	265	51,788	7.5
March.....	271	72,950	10.3	September.....	233	31,507	5.2
April.....	264	77,091	11.2	October.....	113	15,382	4.5
May.....	217	40,630	7.2	Total.....	2,297	500,990	8.4
June.....	244	48,638	7.6				

While these American mills stood idle for want of a market, while the American workmen of these mills stood idle for want of orders, the American market, the only market open to American producers, was forced to absorb 283,999 tons of foreign chemical pulp, entering duty free. In the one quarter ending September 30 Germany alone threw about 16,000 tons of chemical pulp on the American market, Finland 7,000 tons.

APPENDIX G.

POSSIBLE REVENUE FROM CHEMICAL PULP.

If a duty were levied of 1 cent per pound on bleached chemical pulp and 0.6 cent per pound on unbleached chemical pulp, expectation of income could be based on returns such a tax would have obtained in previous years.

	Value of imports of chemical pulp.	Revenue that would have been earned at rate suggested.	Approximate ad valorem or average per cent of duty to import.
1916.....	\$22,288,892	\$5,477,560	24
1919.....	26,813,649	5,818,676	21
1920.....	61,654,993	8,251,480	13.0
1921 ¹	23,341,113	3,939,906	16.8

¹ First three quarters of 1921.

Such a duty seems very moderate in view of the 25 per cent duty levied by Canada which actually denies American producers access to the Canadian market. American costs compared to foreign costs are indicated most clearly by the fact that Americans can not sell in any foreign market. America has no export trade in pulp of any kind.

	Pounds of unbleached pulp.	Revenue from unbleached pulp at 0.6-cent per pound.	Pounds of bleached chemical pulp imported.	Revenue from bleached chemical pulp at 1 cent per pound.
1916.....	736,446,000	\$4,418,676	105,884,000	\$1,058,884
1919.....	771,816,000	4,660,896	95,773,000	957,780
1920.....	942,260,000	5,653,560	259,792,000	2,597,920
1921 ¹	435,018,000	2,610,108	132,980,000	1,329,800

¹ First three quarters of 1921.

Value of imports of chemical pulp.

Tons imported.		Value.	Tons imported.		Value.
1909.....		\$3,048,421	1916.....	421,165	\$22,288,892
1910.....		9,718,184	1917.....	398,369	33,987,962
1911.....		10,172,305	1918.....	392,691	26,757,139
1912.....		11,851,837	1919.....	433,807	26,813,649
1913.....		13,264,736	1920.....	550,000	61,654,993
1914.....	458,154	17,164,292	1921 ¹	283,999	23,341,113
1915.....		14,318,180			

¹ First three quarters of 1921.

APPENDIX H.

AMERICAN MILLS CAN SUPPLY ENTIRE AMERICAN REQUIREMENT OF CHEMICAL PULP.

When the war made the exportation of chemical pulp to America difficult the American mills rapidly increased production from 1,571,896 tons in 1914 to 2,250,000 tons in 1920, an increase of nearly 700,000 tons.

Domestic production and importation of chemical pulps.

	Domestic production of all chemical pulps in tons.	Importations of all chemical pulps in tons.	Percentage of pulp imported.		Domestic production of all chemical pulps in tons.	Importations of all chemical pulps in tons.	Percentage of pulp imported.
			<i>Per cent.</i>				<i>Per cent.</i>
1899.....	593,151			1918.....	1,949,357	392,691	16.8
1904.....	952,792			1919.....	1,934,969	433,807	13.3
1914.....	1,571,890	458,154	22.5	1920.....	2,250,000	550,000	19.0
1916.....	1,926,862	421,165	18.0	1921 ¹		283,999	
1917.....	1,973,986	398,369	16.8				

¹ First three quarters of 1921.

When the artificial barrier of war was out of the way foreign exporters of chemical pulp who can exact greater profit from pulp than the American, due to the foreigner's lower manufacturing cost, again claimed their own. Their export to America increased 40,000 tons in 1919, 117,000 tons in 1920 and the 1921 market was flooded with them. This situation caused a bad break which forced American mills to shut down and American labor to stand idle, hat in hand, while Germany, Finland, Canada, Sweden, Norway, and other countries forced the American market to absorb their exports at a price lower than American cost, a price which was profitable to them, presumably, as they continued to ship pulp. This pulp paid the United States no revenue, nor did American labor receive any wage from its production, or American owners of pulp wood land any money for their stumpage.

(See Appendix F, showing idle hours in American mills due to lack of orders in 1921 while the market was absorbing foreign pulp.)

Brief signed by Peter G. Thomson, jr., representing Southern Paper Co., Moss Point, Miss.; Tennessee Fiber Co., Memphis, Tenn.; Parsons Pulp & Paper Co., Philadelphia, Pa.; Bastrop Pulp & Paper Co., Bastrop, La.; Nashville Pulp & Paper Co., Old Hickory, Tenn.; Island Paper Co., Menasha, Wis.; Port Huron Sulphite Pulp & Paper Co., Port Huron, Mich.; Dexter Sulphite Pulp & Paper Co., Dexter, N. Y.; Atlantic Paper & Pulp Corporation, Savannah, Ga.; Hummel Ross Fiber Corporation, Hopewell, Va.; Wolf River Paper & Fiber Co., Shawnee, Wis.; Marinette & Menominee Paper Co., Marinette, Wis.; Falls Manufacturing Co., Marinette, Wis.; Carthage Sulphite Pulp & Paper Co., Carthage, N. Y.; Continental Paper & Bag Mills, New York, N. Y.; Pynetree Paper Co., Gordon, Ga.; Bogalusa Paper Co., Buffalo, N. Y.; Bogalusa Paper Co., Bogalusa, La.; Grass Fiber Pulp & Paper Corporation, Leesburg, Fla.; Columbian Paper Co., Buena Vista, Va., and Bristol, Tenn.; Champion Fiber Co., Cincinnati, Ohio, and Canton, N. C.; Great Southern Lumber Co., Bogalusa, La.

BRIEF OF R. J. CULLEN, REPRESENTING THE BASTROP PULP & PAPER CO., OLD HICKORY, TENN.

To-day, as throughout 1921, American produced chemical wood pulp is unmarketable, even at cost, because Finland, Sweden, Germany, Norway, and other countries, with their lower production cost, can profitably undersell American cost in the only market open to American producers, the market of the United States.

These countries are so favorably situated that they can sell in America below American cost and still exact twice the net price for which they sell at home.

The situation is crystallized in this statement issued by the Division of Customs of the United States Treasury, which shows that on a certain day in 1921 the price at a German factory to a German buyer was 2.955 marks per kilo, and on the same day to an American buyer at the same factory was 5.238 marks per kilo, nearly twice as much.

Quotation from report: On October 1, 1921, C. H. Achenbach, confidential clerk in Berlin, reported facts as follows:

"The delivered price at New York for Americans for print paper was 4 cents per pound."

1,000 kilos = 2,205 pounds.

.04 cents per pound.

88.20 per 1,000 kilos delivered in New York.
5.00 less insurance and sea freight.

83.20
4.16 less commission, etc.

79.04 per 1,000 kilos on shipboard.
72.60 multiply by 72.60 marks per dollar.

738.30 marks per 1,000 kilos, or 5.74 marks per kilo.

5.74 marks per kilo.
.34 less freight per kilo to Hamburg.

5.40
.162 less 3 per cent export tax.

5.238 price per kilo in marks at the German factory to American buyer.

For home sale the delivered price was:

3.40 marks per kilo delivered to inland buyer.
.40 less freight and forwarding expense.

3.00 marks per kilo.
.045 less turnover, tax, etc.

2.955 price per kilo in marks at the German factory for the German buyer.

These figures from an official report to the Customs Division of the Treasury Department show that the foreign producer can sell under the American price and still obtain twice the price he gets at home.

If the American can not compete with him when he sells for twice his home price, what basis is there for the use of the word "competition" at all?

Seventy per cent of the cost of American chemical pulp is labor. If any industry has a right to protection, it is the chemical wood-pulp industry. With its mills shut down and its labor idle while foreign pulp, duty free, floods the American market, it faces stern times.

BRIEF OF THE PYNETREE PAPER CO, GORDON, GA.

We are a pioneer American concern, located in a new territory for the chemical pulp industry, tapping a new source of American raw material of which there is an unlimited supply, paying cash money in pay rolls to American labor in an out of the way section where cash money is scarce.

We are one of the chemical pulp mills that invested American capital in America and which is producing values from American resources.

Our brief consists of the mere statement that our mill is one of the many mills that faces annihilation. There is no market for our product except in America and that market is completely in the hands of foreign producers who sell below our cost, who can cut still lower profitably and who are throwing thousands of tons of pulp on our market, duty free, while our labor is actually hungry and our timber and the timber of the farmers and landowners from whom we buy is valueless.

Seventy-five per cent of our product, approximately, is labor and American labor at that, which is out of employment while the American market buys foreign labor.

We make no argument. The facts are simple and easily comprehended. We must have a market for our product or we automatically go out of business. We can not compete with foreign chemical pulp where we pay five to ten times more for our labor than the foreign manufacturers do.

America has no foreign trade in chemical pulp. It is ruled out of foreign markets not only by foreign competition which it can not meet, but by adverse duties, such as 25 per cent in Canada, which can not possibly be surmounted. America is the only market for American chemical pulp.

BRIEF OF E. W. KIEFER, REPRESENTING THE PORT HURON SULPHITE & PAPER CO., PORT HURON, MICH.

The desperate situation of the chemical pulp mills is best indicated by a frank show-down of figures.

Pulp is selling in the market for \$10 to \$20 per ton less than our cost of production and our mill has lost about \$100,000 this year.

The confidential figures of our cost are given herewith:

The cost of producing unbleached chemical pulp.

	1916	1920		1916	1920
Wood.....	\$16.65	\$35.70	Insurance and taxes.....	\$0.70	\$2.54
Sulphur.....	2.64	1.92	General and office.....	.89	1.66
Limestone.....	.29	.51	Commissions.....	.31	.83
Coal.....	2.74	11.00	Labor.....	8.65	17.20
Superintendence.....	1.31	2.18			
Factory expense.....	3.75	6.75	Total per ton.....	37.83	80.29

As a life-long Republican I have always held that the amount of duty on an article should be measured entirely by the difference in labor costs of that article here and abroad. I wish to bring out the fact that the direct labor cost to the mill on pulp is about 22 per cent of its entire cost and the indirect labor cost is nearly 50 per cent of the entire product, as that is the cost of its principal raw material which is wood. The labor cost is, therefore, 72 per cent of the total cost.

As the stumpage value of the kind of wood used by chemical pulp mills is very low, almost the entire cost of the wood is one of labor and direct manual labor at that, being only slightly relieved by machinery in transportation. It must be remembered that this wood must be cut by hand, piled by hand, drawn out of the woods by a man and horse, loaded on wagons or sleighs and hauled to the banks of a stream by men and horses and floated down these streams to the mills by manual labor.

STATEMENT OF S. L. HAMMER, PHILADELPHIA, PA., REPRESENTING THE COLUMBIAN PAPER CO.

Mr. HAMMER. Our line of business is similar to that of Mr. Thomson. Our conditions are exactly the same as those to which he referred. Our mills are also shut down, our men are idle and in actual want, and we are unable to run on account of the large quantity of chemical pulp that has been exported to this country from foreign sources. We also are asking for the same tariff.

Senator SMOOT. That is, six-tenths of a cent on unbleached chemical pulp?

Mr. HAMMER. Yes; and 1 cent on bleached chemical pulp.

(The following brief was submitted by Mr. Hammer:)

The chemical wood-pulp mills of America have cut the wages of their employees severely and the employees accepted the reduction without friction. However, these men can not live and accept wages that will enable the chemical pulp mills to compete with the foreign producers, who are paying their labor an equivalent of about \$2 per week.

As a result of this situation our own mills are closed down and practically all the chemical pulp mills of the country are closed down except those whose financial situation is so strong that they can run at a loss of \$10 to \$20 per ton and thus furnish employment to their operatives and keep their organizations intact.

Our mills employ native American labor only, and it is as fine labor as there is in the world—efficient, self respecting, hard working, and willing. The wage scale runs from \$2 to \$5 per day, with a few very expert men receiving more. Senators can judge for themselves if this is a fair wage. If the feeling is that the management is a party to an unreasonable wage scale let the Senators harmonize in their own minds \$9 per week for common labor in America and \$4 per week for skilled labor in Germany.

The raw material of the paper industry—wood—is bought by us from farmers and country land owners within a radius of 150 miles of our mill. These men produce

this raw material with their own labor and the market for this wood, which would be otherwise unmarketable, provides the income from new ground which makes clearing a possibility. Few farmers can afford to clear new ground if there is no return from the labor employed in the operation and if the timber cut down must be piled, at additional cost, and then burned.

Chemical pulp always had a duty until 1913. A tariff has never limited importation of pulp. It is a guaranty, however, against unusual importation in depressed times like the present, when foreign countries take full advantage of their lower cost and sell at a price below the American cost of production, forcing the market to absorb them while American production waits for an increased demand so it can also begin to move.

We do not desire to burden foreign production unfairly or to keep it out of the American market. The direct duty we advocate would be, in normal times, a most modest charge of about 12 to 15 per cent, figured ad valorem. In depressed times like the present the direct duty would be at a higher rate if figured as an ad valorem duty, because the value of the product would be lower. It would, in effect, force foreign manufacturers to sell in America at American production cost and pay into the Treasury of the United States the difference between their low production cost and the American production cost.

There would be no loss to America in this operation nor would the public be forced to pay higher prices for pulp. On the contrary, an arrangement that would enable mills to run in bad times and keep organizations intact would encourage efficient production and therefore cheap manufacturing cost and low price. Spotty production is not efficient and must always be paid for at a higher price by the public.

As far as we know the chemical pulp mills as such (with the mechanical pulp mills eliminated) are not opposed in their request for a duty of six-tenths of a cent per pound for unbleached chemical pulp and 1 cent per pound for bleached chemical pulp. If there be such opposition it will develop at this hearing and the Senators will, of course, take account of it on its own showing. If there be no such opposition, and we anticipate none, we urge that the duty herewith suggested be enacted as law without delay and rescue the chemical pulp industry of this country from a most desperate situation.

A moderate duty on chemical pulp will in no way affect the foreign exportation to America, in our opinion, judging by the record of importation under former tariff laws. Credits of foreign countries in America based on pulp sales would not be affected by the proposed duty, therefore, and Europe would not be handicapped in its effort to pay debts in America with produce.

STATEMENT OF COURTNEY CAMPBELL, REPRESENTING THE CAROLINA STOCK FARMS, FORESTON, S. C.

Senator SMOOT. Mr. Campbell, are you to speak on the same subject as the preceding witness?

Mr. CAMPBELL. I am.

I am a farmer. I have come here representing the farmers who produce chemical pulp wood for the pulp mills in South Carolina and North Carolina. We ourselves operate 4,300 acres of land in South Carolina and we believe that our industry is an industry that is constructive. We take the raw land, without improvements of any sort, clear it, and bring it to the uses of cultivation, using it eventually as cattle range and as farm land.

As I have already said, we operate 4,300 acres. From this land, which is new land, we have but one source of income, and that is from the sale of the wood which is produced thereon, and which is salable for only one purpose, that purpose being for chemical pulp. It can not be used for anything else.

Senator McLEAN. Is it pine?

Mr. CAMPBELL. It is pine, black gum, maple, and so on. There are many kinds of wood. The chemical pulp industry uses almost any wood that is grown in the United States in sufficient quantities to be used. This timber would be wasted otherwise. There is no other use for it whatever.

Senator SMOOT. You are asking for the same duty as the previous witnesses, are you?

Mr. CAMPBELL. Yes, the same duty.

We represent, directly, only a few thousand acres. There are several hundred millions of acres of similar land in the United States.

I want to call the attention of the committee to one fact in particular. To-day in South Carolina the labor that looks to us for work is actually facing starvation. They have no work to do. We are pensioning a few of them at about \$10 a month, which enables them to get a small amount of rations. How they live on it I do not know. They live very largely on corn.

We can not give these men work until we can sell the pulp wood, and we can not sell pulp wood at the present time because the mills are all shut down. Their yards are all loaded up with pulp wood. Thousands and thousands of cords of it are lying out in the weather. I have seen for myself that this is the fact.

At this time chemical pulp is coming into this country from Germany, from Sweden, from Czechoslovakia, from Norway, and from all other countries. It is being literally thrown into this country. Millions of pounds of it are being shipped here. It is being sold at a price below the cost of production of the pulp mills of this country.

As the reports of the Treasury Department show, the Germans, for instance, are selling chemical pulp in this country to-day at a price which is twice the price they charge their home consumers, so as not to get too far under the market. They can cut the price 50 per cent f. o. b. the mill and still obtain more than the selling price for their inland trade.

There is one other point to which I wish to direct your attention, and that is this: In this country there are hundreds of millions of acres of land on which are growing such woods as gum, maple, and pine—in fact, wood of all kinds—some of which is of no value for any purpose except one. That wood can be used in the chemical pulp industry.

Senator McCUMBER. Do you mean that is not of any use even for conserving water in the mountains?

Mr. CAMPBELL. Watershed forests can be thinned out and thus be made to produce a good income without in any way affecting the conservation of the streams. Such thinning properly done is a great benefit to any forest.

This timber, as I was going to say, has no value for any other purpose except the manufacture of chemical pulp. We have enough in this country to produce all the chemical pulp needed by the world forever. Our market is being flooded with chemical pulp from other countries, and we ask simply for a moderate protective duty which will enable our mills to have a stabilized market for chemical pulp.

Chemical pulp, I would like to explain, has nothing to do with newspapers; it is made by a different process. The other is a mechanical operation. We are not in controversy with them.

Senator McCUMBER. Why can't you compete with Germany?

Mr. CAMPBELL. One of the reasons is that Germany is paying 7 cents an hour for some skilled labor while our chemical pulp plants are paying 62 cents an hour to the same type of operatives.

Senator McCUMBER. You say that you pay 62 cents an hour?

Mr. CAMPBELL. Yes, sir; American mills.

Senator McCUMBER. Would it not be better if some of those who are asking 62 cents an hour for their work would be willing to work for less than that per hour? Then you would not have to pay them a pension of \$10 a month to keep them from starving, and you might be in a position, possibly, to compete with German labor.

Mr. CAMPBELL. Senator McCumber, please understand that I am speaking simply as a farmer and producer of wood who uses colored and white farm labor. This labor is paid normally \$1.50 to \$1.75 per day. At the present time we try to pay them \$10 a month so they can exist until we get a market for our wood and can again begin cutting.

Senator McCUMBER. That is what I was trying to get at. There is a difference between the wages paid here and the wages that are paid in Germany for the same kind of labor. You could hardly ask for a protection that would measure the difference between 5 and 6 cents a day and \$6 a day?

Mr. CAMPBELL. The information is this, Senator: We consider the lowest possible wage that we can pay our labor in the South is \$1.25 a day.

Senator McCUMBER. That is for common labor?

Mr. CAMPBELL. For common labor.

Senator McCUMBER. That is choppers, etc.?

Mr. CAMPBELL. Choppers and men of that character. What they pay in Germany for similar labor I do not know. But at the present time our labor has no employment whatever; it is living on corn.

Senator McCUMBER. What you mean, then, is that you can not compete with Germany when you are paying \$1.25 and the mills up to \$6 a day here?

Mr. CAMPBELL. Exactly; we can not compete at all.

Senator McLEAN. You pay 65 cents an hour to your skilled employees?

Mr. CAMPBELL. Understand, Senator, we are simply the producers of wood; we sell the pulp wood to the mills. I am here as a farmer, not as a pulp-mill man.

Senator McLEAN. Who do you pay 62 cents an hour?

Mr. CAMPBELL. On our farm we pay no labor 62 cents per hour. I understood the Senator to ask what the mill wages in Germany were in comparison with the mill wages in this country.

Senator SIMMONS. I think 60 cents an hour was the statement made by the manufacturer as to the highest paid laborers in the pulp mills.

Senator McCUMBER. In the mill?

Mr. CAMPBELL. Yes. The statement was made in the brief that it ranged from 25 cents up to 60 cents an hour for the very highest skilled attendants on machinery.

Senator SMOOT. Can you tell me why it is that there is less importation in 10 months of this year than there was in 10 months of 1919, and only about one-third of the amount of 1920, of the chemical sulphite?

Mr. CAMPBELL. Sulphite is only one kind of chemical pulp, one variety. Your question is difficult to answer offhand. There is a good deal less pulp being used, I assume, this year, because of the lack of demand for paper. However, up to this time, if you will notice your schedule, Germany increased her exportation of chemical pulp to

this country every year since 1919. There were exported from Germany to the United States 15,000,000 pounds in 1920 and 23,000,000 pounds in the first three quarters of 1921.

Senator SMOOT. Of course in 10 months of 1919 there were 2,156,007 pounds—that is, sulphite unbleached, chemical product; in that same 10 months in 1921 there were 31,079,145; in the same 10 months of 1920 there were only 10,034,054. I want to know why that was.

Mr. CAMPBELL. That is an involved question requiring reference to tabulations and I can not answer it offhand.

Senator McCUMBER. The fact still remains that with your wages reduced down to \$1.25 a day per man you are not receiving any demand for your wood.

Mr. CAMPBELL. Our men are not even paid \$1.25 a day now. We are trying to pay them \$10 a month, and even at that price we can not produce wood that we can sell. Our wood is simply lying on the ground, rotting, and our labor is idle.

In regard to the importations that you speak of, I have them tabulated in this way: From all countries except Canada there was imported of chemical pulp in 1919, 206,000,000 pounds; in 1920, 385,000,000 pounds, and in the first three quarters of 1921, 225,000,000 pounds.

Senator SMOOT. These are the reports from the department, and the total importations were as I read.

Mr. CAMPBELL. I took these from the same source and assume the apparent divergence in our figures is due to the fact that my tables are calculated on a basis of chemical pulp while you are asking about only one variety of chemical pulp—sulphite.

**BRIEF OF COURTNEY CAMPBELL, REPRESENTING THE CAROLINA STOCK FARMS,
FORESTON, S. C.**

On our 4,000-acre farm in South Carolina our labor is to-day facing starvation; blacks and whites are in the same terrible situation. Like the peons of Mexico, they are existing on limited supplies of corn, which will soon be exhausted, and on a little meat and sirup which they obtain by barter.

Some 50 laborers and their families look to us for work. Heretofore we have employed them in the woods, cutting pulp wood for the chemical pulp mills. This wood is a waste product and can be sold to no other buyer; but now the market is closed to us. Not only is our labor idle, but we ourselves face a most serious situation, with our only source of income cut off.

We ask for a duty on chemical wood pulp not as a special interest seeking favorable legislation, but as American farmers, for ourselves and for our labor.

We are engaged in bringing into cultivation waste land, and thereby adding to the resources of America. This land must be cleared. The timber growing on it is available for one purpose and only one purpose—chemical wood pulp; and all of it is available for that. If we can not sell it, we must stop clearing land, and land must be cleared to be brought into production.

Pulp wood is our only source of income from new land. The pulp mills have been generous with us. They completed buying at war prices the pulp wood they contracted for in good times, accepting some of it long after the market for pulp had broken, when they could do nothing with it except pile it in overloaded yards subject to the action of the weather.

When our labor begs for work we can only reply that we will begin cutting pulp wood as soon as we can ship it regardless of any profit from the operation. But we know the mills can not buy because their yards are loaded to capacity and they are idle. The mills are idle because they can not produce pulp at the price offered. The mills are idle because there is only a limited demand for pulp, and the market is busy absorbing thousands of tons of German, Finnish, Canadian, Swedish, and Norwegian pulp.

While our American labor starves, while our American timber is unmarketable, and the income from it is cut off, Germany, Sweden, Finland, and the others are selling to our American market their cheap labor and pulp-wood timber duty free. They are invited guests of the United States Government at the banquet where American labor, facing starvation, and American farmers who are pioneering in the undeveloped regions, are denied access even to the crumbs.

We Americans who produce the raw material from which chemical wood pulp is made demand legislation that will give us access to our own American market for our labor and for our pulp-wood timber.

American chemical wood pulp is 70 per cent American labor.

By what reasoning is the American manufacturer of paper from chemical pulp given protection, and the American producer of chemical pulp from which that paper is made forced to compete with the foreigner?

We do not object to protection for those who make paper from chemical pulp, but every consideration which entitles them to a protective duty applies with redoubled force to the situation of the American farmer and laborer who produce the raw material from which this pulp is made. The duties should be so apportioned as to protect the American laborer as well as the American paper manufacturer. The House bill gives protection where it is least needed, for any depression in the industry of manufacturing paper does not compare with the ruin that is facing the producers of chemical pulp.

STATEMENT OF H. H. BISHOP, REPRESENTING PULP MANUFACTURERS' ASSOCIATION, NEW YORK, N. Y.

In behalf of the members of this association and a number of other manufacturers of wood pulp, we submitted a brief to the Ways and Means Committee of the House of Representatives in February last, which asked for an imposition of duties upon wood pulp as follows:

- (a) Mechanical pulp, one-tenth of 1 cent per pound dry weight.
- (b) Unbleached chemical pulp, two-tenths of 1 cent per pound dry weight.
- (c) Bleached chemical pulp, three-tenths of 1 cent per pound dry weight.

This brief is Appendix 12 in a "Statement of changes desired in Schedule M of the tariff act of 1913," submitted by the American Paper and Pulp Association, which statement, we understand, was filed with the committee on December 21 last.

Since the presentation of that brief nearly 12 months have elapsed. Developments during this period emphasize the necessity for the protection therein asked. That we may present the matter to you concisely, we give below tables of production and importation of pulp brought up to date.

Production of wood pulp.

Year.	Mechanical.	Chemical.	Total.	Year.	Mechanical.	Chemical.	Total.
	<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>		<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>
1890 ¹	588,374	593,151	1,179,525	1918 ²	1,303,403	1,908,995	3,212,398
1904 ¹	965,976	952,792	1,921,768	1919 ²	1,449,709	1,934,969	3,384,678
1909 ¹	1,179,266	1,316,257	2,495,523	1920 ²	1,578,300	2,229,356	3,807,656
1914 ¹	1,263,661	1,599,489	2,863,150	1921 ²	1,260,000	1,500,000	2,760,000
1917 ²	1,447,068	1,924,501	3,371,569				

¹ United States Census report, 1914.

² Federal Trade Commission report.

³ November and December estimated.

Importation of pulp.

Year.	Me- chanical.	Un- bleached chemical.	Bleached chemical.	Total.	Year.	Me- chanical	Un- bleached chemical.	Bleached chemical.	Total.
1911.....	267,089	212,908	86,422	566,419	1917.....	279,071	354,512	43,857	677,440
1912.....	185,902	277,201	77,145	540,148	1918.....	185,527	372,176	20,515	578,218
1913.....	170,493	296,310	77,256	544,059	1919.....	202,612	385,908	47,899	636,419
1914.....	217,580	330,216	127,911	675,707	1920.....	232,517	528,049	147,512	908,178
1915.....	178,525	312,321	70,480	561,326	1921 ¹	160,000	320,000	90,000	570,000
1916.....	232,613	368,223	52,942	653,778					

¹ November and December estimated.

PERCENTAGE OF OVERSEAS IMPORTATIONS.

Under normal conditions a large proportion of importations are from Canada, but during 1920 and 1921 the percentage coming from overseas—from countries with a depreciated currency, such as Norway, Sweden, Finland, and Germany—has increased as shown by the table below:

	Mechanical.			Chemical.		
	1919	1920	1921	1919	1920	1921
Canada.....	<i>Per cent.</i> 90.5	<i>Per cent.</i> 85	<i>Per cent.</i> 79	<i>Per cent.</i> 73	<i>Per cent.</i> 68	<i>Per cent.</i> 62
Overseas.....	.5	15	21	27	32	39

UNITED STATES CAPACITY.

The daily capacity for manufacturing wood pulp in the United States, as of January 1, 1922, is, in round figures, 8,000 tons mechanical, 9,300 tons chemical. Our mills operating at normal capacity can produce in the course of 12 months approximately 1,600,000 tons mechanical, 2,500,000 tons chemical, or a total of 4,100,000 tons.

The year 1920 showed production and importation of approximately 4,700,000 tons, but it is recognized by everybody that 1920 was a year of abnormally large production and importation, which is not likely to be approached in many years, if ever. The production and importation for the year 1921 is, in round numbers, 3,300,000 tons, and again it is recognized that 1921 is a year of abnormally small production and importation.

We believe it is fair to assume that a normal production and importation is represented by an average of these two years, or, in round figures, about 4,000,000 tons. Your attention is respectfully called to the fact that, as shown by these figures, the manufacturing capacity of pulp mills in the United States, operating normally, is sufficient to provide all the pulp that is required in an average year, and that, to the extent that pulp is imported from other countries, our mills and their employees are denied the opportunities which should be theirs; the manufacturer is denied the opportunity to operate his mill at its normal capacity; his employees are denied the opportunity to fully occupy their time.

UNFAIR AND ALARMING COMPETITION.

The most alarming development during the past 12 months is the fact that, notwithstanding the potential ability of our own manufacturers to supply all the pulp that the industry demanded during the year 1921, there has been imported approximately 570,000 tons. This has been rendered possible by the depreciation in value of the currencies of countries from which this was imported and the consequent low prices expressed in United States money. The Canadian dollar has been worth about 90 per cent of par; Norwegian kroner, 50 to 60 per cent of par; Swedish kroner, 70 to 85 per cent of par; Finnish mark, 10 to 15 per cent of par; German mark, 2½ to 10 per cent of par. These are the countries from which imports of pulp are principally made. The extreme depreciation of the German, Finnish, and Norwegian currency calls for even greater protection than that which we have asked. We would respectfully urge that, in addition to the imposition of the specific duty which we have recommended, some special provision be made by which there may be additional protection to our home manufacturers against the competition of those countries whose currency is so extremely debased.

POSITION OF OPONENTS.

Objections to the imposition of a duty come from two sources: (1) A class of manufacturers of paper who are dependent upon the market for their supply of pulp; (2) from publishers of daily and weekly papers who fear that the imposition of a duty will result in an increased cost of white paper.

Your attention is invited to the fact that the first class are petitioning you at this time for duties upon their finished product that will effectually prevent the importation of the kinds of paper they manufacture, and that on this account their position is inconsistent and selfish, asking to be protected themselves, but unwilling that

fellow citizens from whom they could get their pulp should receive similar consideration.

The second class of objectors are interested principally in what is known as mechanical pulp, as the ordinary newsprint sheet is manufactured from 80 per cent mechanical pulp and 20 per cent chemical. Reference to the tables will show you that the importations of mechanical pulp are small as compared with those of chemical pulp. The fact is that so far as the manufacture of newsprint paper is concerned no mechanical pulp is normally imported for that purpose but goes to the manufacturer of other kinds of paper and does not affect the newspaper publisher. The mechanical pulp used by United States manufacturers of newsprint paper is usually produced by them and not purchased on the market.

We earnestly solicit that our plea may receive unbiased consideration and that such remedy as you feel is just, considering the interests of all classes concerned, shall be afforded to the manufacturers of wood pulp.

COPRA.

[Paragraph 1620.]

STATEMENT OF S. H. GILLESPIE, REPRESENTING VEGETABLE OIL CORPORATION, BERKELEY, CALIF.

Senator McCUMBER. Mr. Gillespie, you desire to discuss the vegetable-oil industry?

Mr. GILLESPIE. No, sir; I desire to discuss copra.

Senator McCUMBER. Have we not had some testimony on that subject heretofore?

Mr. GILLESPIE. Not on copra, so far as I know, sir.

Senator McCUMBER. I think we have; but go ahead.

Senator SMOOT. We had Mr. Loomis here, who spoke on that subject.

Mr. GILLESPIE. I am not familiar with that. I represent the principal coconut-oil crushers in the United States. I want to speak to paragraph 1620 of House bill 7456, on the subject of copra. Copra is on the free list of H. R. 7456, and has been imported free of duty since 1883. We petition for the retention of this article in the free list. There has been some agitation to place this article on the dutiable list.

Dairymen, owing to their lack of knowledge of copra-oil uses, have thought that this article would enter into competition with their products and, therefore, they should be protected. Copra oil, which is coconut oil, is largely used in the manufacture of soap, and is not a component part of edible products except in most limited quantities.

If a duty were imposed upon copra, the Philippine Islands importations would still be available, so that the dairymen would not gain their desired object.

Senator SMOOT. There has been nobody here who has asked to have it taken from the free list, and you are not asking us to take it from the free list?

Mr. GILLESPIE. They are going to appear.

Senator McLEAN. They claimed they made butter out of it.

Mr. GILLESPIE. I say, if a duty were imposed upon copra the Philippine Islands importations would still be available, so that the protection sought by dairymen would not be secured. From our viewpoint, however, copra from the other markets of the world is far superior to the copra produced from the Philippine Islands, so we do not want to be forced by a duty to look upon the Philippines as the only source of supply.

Should a duty be imposed upon copra, leaving the Philippine Islands to provide the necessary supply, those industries using coconut oil would be heavily penalized and crushing plants would be put out of business.

I am going to submit a brief, but I would like just to refer to one table in that brief, showing the importations of copra since 1910, which was practically the beginning of the industry:

In 1920 there were 218,000,000 pounds of copra imported into the United States; of this amount 202,000,000 came from countries outside of the Philippine Islands and only 16,000,000 pounds from the Philippine Islands, or only 7 per cent. Back in 1912 the importations from the Philippine Islands represented 70 per cent of the total importations. This shows that the copra which is produced in the Philippine Islands is used there for making coconut oil and that the coconut oil is imported into the United States.

By the importation of copra and coconut oil from the South Sea islands and other foreign primary markets an exchange has been established which has caused a considerable exportation from the United States of our manufactured articles; for instance, prior to the emergency tariff my company imported considerable coconut oil from our own copra-crushing plant in Papeete, Tahiti, in exchange for which we exported from this country large quantities of articles displacing those which would otherwise have been exported from France because it is a French possession. Now that there is a duty on coconut oil we have been forced to ship to France all our coconut oil made in Papeete, Tahiti, and are exporting French manufactured goods to Papeete in place of American manufactured articles as we would prefer to do.

That is just an illustration of what has happened already since coconut has been put on the dutiable list in the emergency tariff, and what would happen to a larger extent if copra were put on the dutiable list.

Copra is largely imported in American bottoms, sailing vessels, and is brought to the Pacific coast and also to the Atlantic coast. It would mean if copra was penalized by an import duty that the American shipping used in that industry would practically disappear.

I want to speak just for a moment of the investment of capital in this industry. On the Pacific coast alone over \$5,000,000 is represented by five plants; and over \$12,000,000 are invested in the entire country. The profits from this industry are particularly small.

The cost of copra to-day is about 4½ cents per pound landed at the Pacific coast. The price for oil is 7½ and there is only 60 per cent of oil in the copra. Any duty on copra would eliminate the article and would result in the scrapping of these crushing plants.

In closing, I should just like to refer to the last paragraph in my brief:

It should also be stated for the benefit of dairymen who possess misapprehensions on the score of copra that copra cake is one of the most highly desirable dairy feeds obtainable, it being stated by the Department of Commerce reports that not only is it a feed, but that experiments made in England indicate that copra cake stimulates milk secretion besides supplying the fatty elements of the fluid itself.

We feel, in view of the facts set forth herein, that a protective duty on copra oil will not benefit us, and we further fear that such duty will narrow the market for our product and embarrass us in securing suitable supplies of copra to crush.

We earnestly petition the Committee on Finance to levy no duty on copra, and we further earnestly petition the committee not to levy a so-called protective duty on copra oil—coconut oil—as same will be a greater embarrassment to us than aid.

I have a little pamphlet here which I should like the Senators to read, if they have the opportunity.

Senator McCUMBER. It may be made a part of the record.

BRIEF OF S. H. GILLESPIE, REPRESENTING THE BUREAU OF RAW MATERIALS FOR AMERICAN VEGETABLE OILS AND FATS INDUSTRIES.

Copra was placed in the free list of H. R. 7456 by the House Ways and Means Committee, and we respectfully petition that it be allowed to remain there.

Two groups have requested that copra be placed upon the dutiable list at absurd rates of duty, which, as known to the supplicants, would prohibit importation.

The first of these groups represented a small number of individual members of the cottonseed-crushing industry, who requested high duties on copra in conjunction with high duties on all imported vegetable oils.

COTTONSEED CRUSHERS' COMMITTEE DECLARE AGAINST DUTIES.

On December 14, 1921, the commerce relations committee of the Interstate Cottonseed Crushers' Association—the official organization which represents the cottonseed-crushing industry—met at Washington, D. C., and by unanimous vote decided to recommend to the association a program of action which would embody united opposition on the part of the cottonseed-crushing industry to all proposed duties upon foreign vegetable oils and oilseeds, such as copra.

The foregoing resolution was made by the named committee of the Interstate Cottonseed Crushers' Association in recognition of the fact that the duties upon foreign vegetable oils and oilseeds embodied in the emergency tariff have proven injurious to the cottonseed-crushing industry because there is a very large exportable surplus of cottonseed oil produced in the United States, and interference with the normal movements of vegetable oils in the world markets by duties embodied in the emergency tariff has thrown the cottonseed-oil industry of the South out of contact with world conditions with consequent great loss of cotton-oil export business.

DAIRYMEN OPPOSITION BASED ON LACK OF KNOWLEDGE OF COPRA OIL (COCONUT OIL) USES.

The secretaries of certain dairymen organizations have elaborated upon the harm done them by coconut oil made from imported copra and other foreign vegetable oils and have asked for prohibitive duties upon copra, coconut oil, and other imported vegetable oils.

It is claimed by these gentlemen that the chief use for cocoanut oil made from copra is in the manufacture of butter substitutes and milk substitutes, an incorrect statement, hence, they are subjected, they state, to harmful competition.

That such idea exists only in the minds of the dairymen secretaries mentioned is shown by the testimony of a practical butter maker, who, being actually engaged in the butter business, must know conditions precisely.

CREAMERY MAN TESTIFIES BUTTER-SUBSTITUTE COMPETITION WITH BUTTER OF MINOR IMPORTANCE.

On November 14, 1921, we note that there testified before the Senate Finance Committee a gentleman named J. R. Morley, of Owatonna, Minn., who is a dairy farmer in that State and president of the Minnesota Dairy Association and the representative of the cooperative creamery industry on the executive board of the National Dairy Union.

Mr. Morley testified that his member creameries churned their butter largely in Minnesota and that they had a selling agency in New York. He should therefore be an able criterion on anything affecting the creamery and dairy business. The following testimony is therefore of very particular interest, and we urge your honorable committee to devote most careful attention to same.

Senator McLEAN. Do you feel the competition of the vegetable-oil products like coconut butter and cottonseed-oil butter?

Mr. MORLEY. We feel the competition after it is manufactured into oleomargarine.

Senator McLEAN. They call it butter—coconut butter?

Mr. MORLEY. Yes; they call it coconut butter, or something of that nature.

Senator McLEAN. Do you feel that competition?

Mr. MORLEY. Oh, yes; but not so much when the price of butter is low as when the price of butter is high. When the price of butter is high, they turn to oleomargarine and coconut butter. During the last year the consumption of that has been small. In fact, some factories have pretty nearly stopped its manufacture.

We believe that the foregoing statement, borne out as it is by authentic Government data readily obtainable by your honorable committee, reveals how poorly grounded is the claim that either copra or the copra oil (coconut oil) made therefrom bears any material relation to dairy products, so far as competition is concerned.

If further evidence be needed, we beg leave to print herewith the published Government records showing the amounts of exclusively vegetable margarine, the only variety of margarine in which coconut oil can be used, the other kinds being made from animal oils and cottonseed oil, manufactured since January, 1921.

TABLE 1.—Total amount of vegetable margarine, colored and uncolored, manufactured since Jan. 1, 1921.

	Pounds.		Pounds.
January.....	12,760,787	July.....	4,381,510
February.....	11,791,748	August.....	6,993,787
March.....	12,508,425	September.....	7,073,212
April.....	9,911,640	October.....	10,012,225
May.....	6,160,469		
June.....	3,290,000	Total.....	84,883,803

When the above total is considered in comparison with the total amount of creamery and farm butter which is made yearly in the United States, which total is 1,600,000,000 pounds, it can be seen how very insignificant relatively speaking, is the competition of copra oil (coconut oil) with butter, particularly since coconut oil constitutes ordinarily only about 60 per cent of the make-up of the exclusively vegetable margarine type of butter substitute, the remaining ingredients being milk, salt, and cottonseed or other liquid vegetable oil. On this basis probably about 50,000,000 pounds of copra oil (coconut oil) went into margarine in the first 10 months of record of 1921. During this period despite the prohibitive tariff in effect since May on coconut oil which forced coconut oil to move only from the Philippines, the combined imports of copra and copra oil (coconut oil) into the United States was over 285,000,000 pounds.

Butter-substitute makers are not particular as to whether they use coconut oil or other foreign vegetable oils in making margarine. They have available for use millions of pounds of domestic oleo oil, neutral lard, and other domestic animal fats and oils which combined with cottonseed oil make more desirable oleomargarine than the coconut-oil product. As an illustration of the abundance of margarine-making materials, during the 10 months period ending October 31, 1921, the period under discussion, we exported over 114,000,000 pounds of oleo oil and 21,699,336 pounds of neutral lard, both prime ingredients for oleomargarine, not to mention many million pounds of cottonseed oil exported, and cottonseed is an unsurpassed oil for oleomargarine purposes.

The great bulk of copra oil (coconut oil) is consumed in the manufacture of laundry soap, a far more important use than in the making of butter substitutes. Large quantities are refined and exported to Europe.

AMOUNT OF COPRA OIL USED IN BUTTER SUBSTITUTES NOT INFLUENCED BY TARIFFS.

—Were it not for the ill-advised duties on copra oil (coconut oil) in the emergency tariff the imports of copra oil would have been far heavier and the use in laundry soap proportionately greater. On the other hand, the use of copra oil (coconut oil) in butter substitute would not have been larger, as the degree of consumption of copra oil in butter substitutes is entirely dependent on the price of butter.

A duty on copra and copra oil (coconut oil) could be of no possible value to the butter maker, because the amount imported from the Philippines, which would enter duty free and is quite suitable for margarine-making purposes, is far in excess of the requirements of the margarine industry, the restriction of which is the dairyman's aim.

We hold no brief for the margarine industry; we do, however, vigorously protest against any misguided effort to levy prohibitive duties upon copra, the raw material of the copra-crushing industry, in the futile hope that such duties can in any way benefit the dairy industry.

Our remarks in this connection are equally applicable to such small quantities of copra or coconut oil as are used in the making of "filled milk" which is a product made from skimmed milk and coconut oil, only about three and one-half to four million pounds of coconut oil being used per year for this purpose, out of the three to four hundred million pounds of coconut oil ordinarily available. Furthermore, if the 90,000,000,000 pounds of whole milk produced in the United States annually requires protection, such protection can not be accorded it by interfering with the importation of copra and coconut oil.

After all, any discussion connecting copra oil (coconut oil) or any other foreign vegetable oil with the manufacture of butter substitutes is really beside the point, as butter-substitute makers and other imitators of dairy products can procure hundreds of millions of pounds of domestic cottonseed oil from which to make their products should they be shut off from other oils, the amounts of cottonseed oil available being vastly in excess of their needs, and the only limit in this direction being the demand for their imitation dairy products, it being at all times possible for the butter-substitute makers to pay prices for such limited amounts of vegetable oils as they require considerably in excess of what any other user of vegetable oils could afford to pay.

COPRA OIL NOT USED IN LARD SUBSTITUTES.

Copra oil is unfit for use in lard substitutes because of its tendency to boil and froth when heated. Government records show the amounts used in the manufacture of lard substitute to be practically negligible. There can, therefore, be no possible grounds for statements that copra oil (coconut oil) competes with lard.

NEEDS OF COPRA-CRUSHING INDUSTRY CAN NOT BE SUPPLIED FROM PHILIPPINES.

Should a duty be levied upon copra, same would not affect imports from the Philippines. The question arises, therefore, as to whether or not the copra-crushing industry of America could procure sufficient supplies for crushing from the Philippines.

That this is extremely doubtful is shown by the following table:

TABLE 2.—Imports of copra (fiscal years 1919-20) showing quantities and percentage of supply imported from United States possessions (Philippines) as compared with quantities imported from foreign countries.

Year.	Total imports.	From foreign countries.	From Philippines.	Percentage from Philippines.
	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>	
1910.....	21,306,219	10,512,078	10,783,131	50
1911.....	37,817,051	74,556,761	22,270,280	59
1912.....	64,580,670	17,906,962	46,673,718	70
1913.....	34,267,811	10,740,481	23,527,330	67
1914.....	45,437,153	18,095,712	27,342,443	60
1915.....	90,546,827	31,280,822	58,267,005	64
1916.....	110,077,844	75,395,497	34,679,365	31
1917.....	247,036,099	159,979,437	87,056,662	35
1918.....	486,996,712	167,440,941	219,555,171	42
1919.....	301,965,246	280,705,854	21,259,392	9
1920.....	218,521,916	201,997,028	16,724,962	7

It will be seen from the foregoing table that as the copra-crushing industry of the Philippine Islands has grown that the native mills have absorbed an almost constantly increasing quantity of the Philippine copra, with the result that in 1920 America received only 7 per cent of its copra imports from the Philippines. Transitory conditions may occasionally allow moderate quantities of copra to leave the Philippines, but no such condition could prevail for a very long period in the face of the manifest intention of the Filipinos to crush their own copra. American copra-crushing mills can only get copra away from the native mills as a general proposition by the payment of speculative prices; i. e., anticipation of better markets for copra oil and the offering of higher prices for copra than the equivalent which the Filipino mills would realize if they crushed the copra themselves and sold the oil.

American copra crushers will be doubly sure of no supplies of copra from the Philippines if duties are levied on coconut oil, which being ineffective on the Philippine product would give the Filipinos even further incentive to crush their entire copra output.

POLICY OF UNRESTRICTED TRADE IN BOTH COPRA AND COPRA OIL (COCONUT OIL) DESIRABLE FROM VIEWPOINT OF DOMESTIC COPRA CRUSHERS.

The chief problem of domestic crushers of copra is an adequate supply of copra for crushing purposes, laid down at the crusher's plant, at prices enabling him to turn out copra oil (coconut oil) which can compete in price with other soap-makers' materials. This is not a matter of protection nor of tariff problems, but primarily there must be the ability to purchase copra originating in the South Seas, Java, Ceylon, the Philippines, Straits Settlements, Africa, or other quarters of the world, at the very lowest prices obtainable. Transactions may not actually take place in the localities named, but are of necessity based upon copra originating in those markets. The buying activities of a large crusher may one day be centered on Straits Settlements copra, and the next day he may be buying Java copra.

Freedom of movement in buying is, therefore, a prime requisite, and this elasticity of source of supply would be absolutely lost by the imposition of a tariff upon copra.

Owing to the international character of trade in copra it also follows that the greater development of the domestic copra-crushing industry depends upon the free entry into America of copra oil (coconut oil) the product results from the crushing of copra. The imposition of duties on copra oil (coconut oil) would interfere with the fundamental factors governing the international movement of copra and would foster retaliatory measures from countries from whose possessions we expect to procure copra, hindering our ready acquisition of such copra, all of which would prevent the formation of a systematic buying policy on the part of the domestic crusher, without any compensating benefit to the domestic crusher.

No compensating benefit to the domestic crusher can result from duties upon coconut oil because ability of foreign crushers to sell their copra oil (coconut oil) in domestic markets is based not upon variation in operating costs due to lower labor costs, etc., because these advantages are offset in this country by better crushing methods, modern machinery, more intelligent labor, cheaper fuel, and close proximity to consuming markets, but, as previously stated, by the foreign crusher's skill as a buyer of his raw material, copra, and knowledge and judgment of world's market conditions.

COPRA IMPORTS OF UNITED STATES SHOULD ARRIVE IN AMERICAN SHIPS.

Data gathered by the Emergency Fleet Corporation shows that of the 1921 imports of copra 45.64 per cent arrived in bottoms under American flags; 31.1 per cent came in under the Dutch flag; 16.27 per cent under the British; 5.27 per cent under the Japanese, and there came in under the Swedish and Norwegian flags combined 1.7 per cent.

The serious aspect of the above is that we have no very secure hold on 54.36 per cent of our copra supplies. It can not be expected that American bottoms will secure all of the copra tonnage moving to American ports but in due proportion to the amount of copra carried in American bottoms, is the amount received at American ports, i. e., the more American ships engaged in the movement of cargo from points where copra shipments originate, the more copra there will be secured, by American crushers. English and Dutch ships are very likely to carry their copra shipments to English and Dutch crushers. American ships will, on the other hand, be far more likely to carry their copra shipments to American ports.

In the proper development of our merchant marine, therefore, there rests a prime requisite in the upbuilding of the copra crushing industry of America. Our problems are not those which can be aided by a protective tariff but in the development of a vigorous, capable merchant marine we see the greatest single thing which can be done to benefit the copra crushing industry of America.

Needless to say proper development of our merchant marine in the Pacific rests in the formulation of a tariff policy not inimical to commercial intercourse with the islands of the Pacific of which copra and copra oil are chief items of export.

PRESENT GROWTH OF COPRA-CRUSHING INDUSTRY HAS TAKEN PLACE UNDER SYSTEM OF DUTY-FREE ENTRY OF COPRA AND COPRA OIL.

There are 12 copra-crushing plants in the United States commercially known as such. The total investment in the crushing of copra in the United States will probably run between ten and twelve million dollars.

Five of the copra-crushing plants are located on the Pacific coast and have a total investment of probably \$5,000,000. The remaining copra-crushing mills and investment is located in the Eastern part of the United States. This growth of the copra-crushing industry has taken place under a system of duty-free entry of copra and copra

oil. We are loath to change either as regards a duty on the copra or on the resultant copra oil. Out of the 12 commercially recognized crushers of copra of the country only 3 are asking for duties.

Our labor cost is not an important item on account of the high oil yield of copra 60 to 65 per cent, and the fact that the crushing of copra presents no difficult problems. The actual average labor cost of copra-crushing mills seems to run about 6 per cent. We do not, therefore, consider that this labor cost is sufficiently large to justify a protective tariff, particularly 1 or 2 cents per pound, which on the basis of normal coconut oil values would equal 25 per cent ad valorem. We have in this country in addition to other advantages already enumerated a ready market for our copra cake for cattle-feed purposes, which advantage alone far overbalances any advantage which might be possessed by crushers in the islands of the Pacific.

It should also be stated for the benefit of dairymen who possess misapprehensions on the score of copra that copra cake is one of the most highly desirable dairy cattle feeds obtainable, it being stated in the Department of Commerce reports that not only is it a feed, but that experiments made in England indicate that copra cake "stimulates milk secretion besides supplying the fatty elements of the fluid itself."

We feel, in view of the facts set forth herein, that a protective duty on copra oil will not benefit us, and we further fear that such duty will narrow the market for our product and embarrass us in the procuring of suitable supplies of copra to crush.

We earnestly petition the Committee on Finance to levy no duty on copra, and we further earnestly petition the committee to not levy a so-called protective duty on copra oil (coconut oil), as same will be a greater embarrassment to us than aid.

FOREIGN VEGETABLE OILS AND AMERICAN LARD AND BUTTER.

[By John B. Gordon.]

An attribute of human nature is a proneness to believe that which others tell us without investigating for ourselves. Undoubtedly it must be the outcropping of this attribute which has engendered the belief in divers places that foreign vegetable oils are competing in a serious way with the products of the American hog raiser and dairy farmer. Certainly the belief that foreign vegetable oils compete seriously with American lard and butter is not based upon fact, because one has only to casually glance at Bulletin No. 769 of the United States Department of Agriculture and the supplement thereto to see that there is no basis for such a belief.

One of the first articles appearing in the agricultural press upon the subject of competition between foreign vegetable oils and American farm products appeared in October, 1920, as a feature article in one of the prominent mid-West agricultural weeklies and was entitled "Tropical Oils and the American Hog." This article, which was written by Mr. H. A. Wallace, elaborated upon the great menace of tropical vegetable oils, with particular reference to coconut oil, to the American hog, through its substitution for lard. It was recited that coconut oil could be and was produced in great volume in the South Seas much cheaper than hog lard, a situation, it was claimed, which was fraught with much menace to the American raiser of hogs, unless a tariff wall was raised to shut out unusual importations of coconut oil and other vegetable oils.

COCONUT OIL IN LARD SUBSTITUTES.

Undoubtedly, Mr. Wallace, in writing the article mentioned, was relying upon the say-so of some one else and without verifying data at hand, otherwise it would not have been written, because coconut oil is not, can not be, and in all probability will never be used to an important extent in the manufacture of those substitutes used in the place of lard and variously termed lard substitute, compound or vegetable shortening. For sure proof of this statement, reference need only be made to the supplement to Bulletin No. 769, United States Department of Agriculture. It shows that there is produced in the United States over 1,100,000,000 pounds of lard substitute annually, which compares with America's annual packing house and farm production of 1,900,000,000 pounds of hog lard. It shows also that not until 1917, when 5,545,000 pounds of coconut oil was so used, had coconut oil previously been used in the manufacture of lard substitute. In this year a total of 1,222,116,000 pounds of vegetable and animal oils and fats were used in the manufacture of lard substitute, the percentage therefore of the total which the coconut oil, consumed, represented was four-tenths of 1 per cent. In the following year, 1918, 13,408,000 pounds of coconut oil was used in lard substitute, which was one and one-tenth of 1 per cent of the total amount of vegetable and animal fats and oils so used, which was in that year 1,222,413,000 pounds, of which total consumption 1,015,051,000 pounds consisted of

domestic cottonseed oil, and the amount of domestic cottonseed oil consumed in lard substitute the year previous was 1,069,214,000 pounds, facts which are commented upon later herein.

Why is coconut oil not used in an important way in the manufacture of lard substitute? Ask the manufacturer of lard substitute and he will state that mainly it is because of the inherent characteristics of coconut oil which cause it to boil and froth when used for frying purposes, and further because the melting point and titer of coconut oil (the latter term being used by chemists to indicate the temperature at which solidification of the insoluble fatty acids of an oil takes place and has to do with the hardness of soap, lard substitute, or other product made therefrom) are such that it does not blend with other vegetable oils at all readily, with the result that lard substitute made from a blend of coconut and other vegetable oils will separate. Consequently, the baker, the fryer, and the housewife will not purchase it.

SOYA-BEAN OIL IN LARD SUBSTITUTES.

Soya-bean oil, another foreign vegetable oil imported extensively into America, is stated by those not properly informed to be used mainly in the manufacture of lard substitute, a statement which hits very wide indeed from the mark. The lexicon of this article, Bulletin No. 769, shows that the largest amount of soya-bean oil used in any one year in the manufacture of lard substitute was 56,517,000 pounds, which was in 1918, which figure was only 4.7 per cent of the total vegetable and animal oils and fats used in the making of lard substitutes in that year; 1916 was more nearly a normal year, and in that year out of the 145,409,000 pounds of soya-bean oil imported into the United States, only 14,247,000 pounds was used in lard substitute, which amount was only 1.4 per cent of the total vegetable and animal oils and fats consumed in lard substitute in that year.

The impediments to the use of soya-bean oil in the making of lard substitute are practically as fundamental as those opposing the use of coconut oil. To begin with, soya-bean oil will not bleach white, as will cottonseed oil, and lard substitute to be salable must be snow white. Soya-bean oil has a linseed oil like flavor which can, by painstaking care be refined out, but returns very quickly, imparting a characteristic and easily detected soya-bean oil flavor to any edible product in which it may be used. Soya-bean oil has a very low titer, causing lard substitute made from it to separate and its consequent rejection by the purchaser. This triad of reasons proves sufficient to eliminate soya-bean oil from the formula of lard substitute makers at all times except when cottonseed oil becomes inordinately high in price. Most lard substitute makers figure that there must be a spread of three cents per pound between soya bean oil on the Pacific coast and cottonseed oil at the crude mills in the South before they can consider its use. Since this spread rarely prevails, the makers are not much concerned about the presence or absence of soya-bean oil from the country. That all of the foregoing must perforce be true beyond argument is readily proven by the recorded figures of consumption of soya-bean oil in lard substitute in the supplement to Bulletin No. 769. The surest proof that it can not be successfully extensively used is that it has not been extensively used, and this at times when there were large quantities of soya-bean oil available for use by lard substitute makers should they have desired to use it.

NOT ALL IMPORTED VEGETABLE OILS EDIBLE.

While there are numerous other foreign vegetable oils beside coconut oil and soya-bean oil which are imported into the United States, these two, beside peanut oil, are the only ones used for edible purposes to a degree which merits discussion. It should be stated, however, that it is the usual expedient of some writers upon the subject of foreign vegetable oils in their relation to American agricultural products, to list the grand total of all these oils and classify them as edible oils, oblivious of the fact that some of them are not only inedible, being employed solely for technical purposes, but are really poisonous, notable among these is China wood oil or Chinese nut oil, used in making varnish. Decidedly, it is necessary that these writers make at least a superficial investigation of the subject upon which they write.

FOREIGN VEGETABLE OILS IN BUTTER SUBSTITUTES.

Representatives of the dairy interests held a meeting at Buffalo, N. Y., on July 7 and 8 of this year, and adopted resolutions proposing to bar out of the country vegetable oils, such as coconut and soya-bean oil, by the levying of an import duty of 10 cents per pound upon them.

Again referring to the supplement to Bulletin No. 769—in the year 1917, 163,091,000 pounds of coconut oil was imported into the United States. This, when added to

the large quantity produced in this country from imported copra, gave a total of 351,488,000 pounds available for use in oleomargarine or other butter substitutes, but the Government records show only 19,763,000 pounds of coconut oil consumed in butter substitutes during 1917, against 63,652,000 pounds of domestic cottonseed oil. The total of all vegetable oils so used was 101,432,000 pounds and the coconut oil employed was 7.9 per cent of all the vegetable and animal oils and fats used, while domestic cottonseed oil was 21.7 per cent of the total.

During 1917 there were in round figures 265,000,000 pounds of soya-bean oil imported into the United States. Of this total only 6,614,000 pounds, as is shown by the supplement to Bulletin No. 769, was used in the manufacture of butter substitutes, a figure which is only 3 per cent of the total vegetable and animal oils and fats so used. During 1918 the amount of soya-bean oil used in butter substitutes decreased, there being out of the 335,984,148 pounds imported only 5,921,000 pounds thus employed.

That the question of competition between foreign vegetable oils and butter after all is not material is obvious when the combined total of all vegetable oils employed in the manufacture of butter substitutes is considered. In 1918, a banner year for butter substitutes, a total of 126,125,000 pounds of vegetable oils of all kinds, including domestic cottonseed, corn, and peanut oil, was consumed in butter substitutes. This figure does not look large when placed by the side of the annual farm and creamery production of butter in the United States, amounting to over 1,600,000,000 pounds. It should also be borne in mind that butter substitutes made exclusively from vegetable oils do not have very much of a sale when the animal oil-cottonseed oil product, i. e., oleomargarine made from animal fats and oils and cottonseed oil, is selling at cheap prices. Hence, now that oleo oil and neutral lard, which are animal products of domestic origin and which normally jointly constitute about 70 per cent of the total animal and vegetable oils used in oleomargarine, are back to low-price levels, the records show that sale for the exclusively vegetable product, which is composed principally of coconut oil, is much restricted, while the sale for the animal oil-cottonseed oil product although materially lessened is much larger than that for the straight vegetable product.

Aside from the foregoing, however, if the dairyman has a private quarrel with the maker of butter substitutes, he must not endeavor to settle it by tariff wall means. To begin with, such a procedure is futile, because there is the great domestic cottonseed oil production consisting of one and one-half billion pounds annually and the packing house by-products at the substitute maker's doorstep, but more important, such an action is like unto letting go with both barrels of a double-barrel shotgun down a crowded street at the offender. There are too many innocent bystanders in the way. Besides, the customs tariffs of the country were never intended for such usage.

Government data covering the utilization of foreign vegetable oils does not extend beyond the year 1918, but it can fairly be conceived that the year 1919 was about the same as in 1918. In 1920, undoubtedly the consumption of foreign oils in all kinds of products, technical or edible, fell off, because the imports were greatly diminished. The void of fats and oils in Europe had been filled. There was then a lessened need for these imports into America. In the calendar year of 1921 the imports had died down to a relatively small volume even before the passage of the emergency tariff, which carried insurmountable duties on the more widely used foreign oils.

COCONUT OIL IN FILLED MILK.

Dairymen have been much exercised at hearing that so-called filled milk was being made from coconut oil, skimmed milk being used along with coconut oil to produce this product. It is recited by one organization of dairymen that 85,000,000 pounds of filled milk was manufactured in 1920. I have not had experience in the manufacture of filled milk, but think it logical to assume that the manufacturer thereof, in his endeavor to simulate whole milk of the cow, would add about 4 per cent of coconut oil. Four per cent of 85,000,000 pounds, the amount of filled milk produced in 1920, is 3,400,000 pounds of coconut oil which was used in the manufacture of filled milk, out of the hundreds of millions of pounds which were imported or manufactured in the country.

I do not know whether or not the dairyman who carefully considers the matter will arrive at the conclusion that the widened market for his skimmed milk compensates him for the competition of this 85,000,000 pounds of imitation product with the 90,000,000,000 or more pounds of whole milk produced in the United States annually. I do know, however, that a mode of procedure such as that proposed at the Buffalo meeting of dairymen whereby coconut oil and other foreign vegetable oils would be barred from the country by an import duty of 10 cents per pound would be a very bad line of procedure, indeed, as it would needlessly harm the great technical industries, which use the by far preponderating portion of the imports of coconut oil

without conflict with the interests of the dairyman. Moreover, 75 per cent of America's coconut oil imports come from the Philippines and would not be affected by a tariff.

PER CENT OF IMPORTED OILS AND FATS USED IN LARD AND BUTTER SUBSTITUTES.

While such estimates are conjectural, owing to the fact that Government consumption records on certain vegetable oils, such as peanut oil, do not indicate whether the oil consumed is of foreign or domestic origin, I estimate that the total amount of all foreign oils and fats, including coconut, soya, peanut, and all others, which were consumed in lard and butter substitutes from 1915 to 1920, inclusive, the years of heaviest imports, represents less than 8 per cent of the total imports, the remaining 92 per cent being employed for technical usage, with some exported to Europe. Further, the amount of foreign oils and fats, including coconut oil made from imported copra, which were manufactured into lard and butter substitutes, represents less than 4 per cent of the total animal and vegetable oils and fats so employed, the remaining 96 per cent consisting of domestic cottonseed oil, corn oil and peanut oil, domestic oleostearin, oleo stock, oleo oil, neutral lard, and edible tallow. While these estimates as previously stated are conjectural, precise figures being impossible of attainment, it can nevertheless be said that in all probability, could such figures be obtained, that they would be found to closely approximate the estimates which I have given.

With normal conditions restored and the strain of war conditions relaxed, it can be stated with almost positive assurance that the percentage of imports of foreign oils and fats used in the manufacture of lard and butter substitutes will not exceed 5 per cent of the total imports, and the amount so employed represents less than 3 per cent of the total animal and vegetable oils and fats consumed in the form of lard and butter substitutes.

NATURE OF TECHNICAL USAGE MADE OF IMPORTED OILS.

Since our great imports of coconut oil, soya-bean oil, and other foreign vegetable oils are shown to be not used except in a negligible way in the manufacture of lard and butter substitutes, of what nature is the technical usage made of them? Again refer to Bulletin No. 769 and its supplement. The by far most extensive use of these oils is in the making of laundry soap. For 30 years the laundry-soap maker has been scouring the out of the way places of the world for these raw materials, and the heavy imports of recent years are the culmination of 30 years of effort of the laundry-soap makers and other technical users, plus the favoring circumstances of war conditions. Through these imports the soap maker has been enabled to supply the American public with low-priced laundry soap and is now in a fair way to control the laundry-soap export markets of the world. American soap is finding its way to almost every civilized country upon the face of the globe, and, significant that hope is not lost in dark Russia, even Russia has recently bought American laundry soap.

The supplement to Bulletin No. 769 reveals that in 1916 American soap makers used 1,129,812,000 pounds of vegetable, animal, and fish oils, and derivatives thereof, in the manufacture of soap. In 1917, the last year of recorded consumption, they used 1,337,505,000 pounds. Of this enormous total of fats and oils which went into the soap kettle in 1917 168,602,000 pounds was coconut oil from Java, the South Seas, the Philippines, and far-away Ceylon; 124,058,000 pounds was soya-bean oil from Manchuria; 27,345,000 pounds was palm oil from the Gold Coast of Africa; and 4,762,000 pounds was palm kernel oil made from palm kernels originating in the same quarter of the world. From China was drawn 15,120,000 pounds of peanut oil, along with 6,417,000 pounds of vegetable tallow. From the land of the Mikado came 5,972,000 pounds of rapeseed oil, along with 4,104,000 pounds of herring or fish oil. From distant Sierra Leone, in British West Africa, came 2,487,000 pounds of shea-nut oil. From near-by Canada came 5,732,000 pounds of whale oil. Besides these oils and fats, quantities running into the millions of other vegetable and animal oils and fats, such as inedible olive oil from Italy, lard from China, and miscellaneous inedible greases from different quarters of the world, went into the soap kettle in the year 1917, and while later years' consumption records are not available, they would reveal increasing use of these strange oleaginous materials, even the names of some of which are unfamiliar to the American public, which little realizes the romance and stories of far-distant climes involved in the accumulation of the raw materials which compose the prosaic bar of yellow laundry soap.

In addition to the soap maker, there are many more technical users of foreign oils. Each vegetable, animal, or fish oil has inherent chemical or physical characteristics which adapt it for a specific technical usage. For illustration, coconut oil and palm kernel oil alone have the property of producing a soap which will lather in hard water.

Certain other oils, such as soya-bean oil, hempseed oil, perilla oil, and China wood oil, are known as "drying" oils, from their ability to absorb oxygen from the air. Paint and varnish makers use these drying oils by the millions of pounds. Paint, varnish, and linoleum makers used, in 1919, 30,000,000 pounds of soya-bean oil. The delicate varnish on automobile bodies is made from China wood oil imported from Hankow and Hongkong, in China, or perilla oil from Dairen, in Manchuria. The printers' ink with which this article is printed is not unlikely made from soya-bean oil. Core oil, used in the making of castings in foundries, is made to considerable extent from soya-bean oil, China wood oil, or perilla oil. Imitation rubber makers and manufacturers of oil-cloth and linoleums employ soya-bean oil, and imitation leather makers use castor oil from Brazil and Japan. Manufacturers of high-grade lubricating oil use rapeseed and peanut oil. Candle makers use palm oil and imported sperm and whale oil. Textile mills use soaps made from inedible olive oil for the softening of cotton goods. Tanners of leather require cod oil from Newfoundland. Tin-plate manufacturers use palm oil by the shipload; makers of steel plate employ rapeseed oil for the cooling of the plate. In fact, almost every turn of the wheels of the many and varied industries of America require somewhere the use of a foreign vegetable, animal, or fish oil or product manufactured therefrom. Large quantities of the imported oils are refined and processed in this country and sold to Europe for use by European industries. America has turned the tables about.

INJURIOUS EFFECTS OF A TARIFF UPON FOREIGN OILS UPON FARMERS AND OTHER CONSUMERS.

It has been indicated herein that a wrong tariff policy would injure American manufacturers who are dependent upon foreign oils; wherein does it directly injure the farmer? Briefly, through its effects upon the farmer as a consumer. The interests of the consumer and of the manufacturer of proper vision are the same. The consumer desires to buy at a low price and the manufacturer realizes that to operate his plant at capacity he must attain a low unit of selling price.

COMMERCIAL IMPORTANCE OF FOREIGN OIL TRADE.

Thinking people know the great importance of America's new-found domination of the vegetable and animal oil markets of the world to American industry and commerce and our newly built merchant marine. The imports coming from those far-distant countries of the world, wherein the economic lives of the people are poorly organized and the manufacturing of finished products not developed, a ready market is thus furnished for American manufactured articles of all descriptions, ranging from clothes and clocks down to the humble Ford automobile. View the records of our commerce with the South Seas and see all these articles and many more. From Africa we buy palm oil and to that quarter of the world where the sun of modern civilization just begins to peep above the horizon we send an astonishingly variegated array of manufactured articles. From China and Japan we buy vegetable oils, and to them we sell a variety of manufactured articles which runs clear down the gamut of the list of manufactured articles turned out by American industry. From the Newfoundlanders we buy each year some \$4,000,000 worth of their products, consisting in large measure of fish oil, and we ship back in exchange some \$16,000,000 worth of American manufactured articles.

FOREIGN OIL TRADE FORMERLY CONTROLLED BY EUROPE.

Europe for years controlled the sources of supply of foreign vegetable and animal oils, and waxed rich therefrom. Through the ports of Marseilles, Hamburg, Liverpool, Hull, Rotterdam, Antwerp, and Copenhagen there passed each year millions of pounds of vegetable, animal, and fish oils from the four corners of the world to turn the wheels of European industry, with some little left over for export to America, which we were grateful to receive.

The World War left only one outlet for these vegetable and animal oils and fats which American industry was quick to perceive. Hardly had the cannon of battle begun to roar than its agents quickly departed for Java, Africa, Ceylon, India, the Orient, Australia, South America and all of the far-distant corners of the world from which had come these important raw materials of industry. Silently and efficiently they worked, and as they returned there followed behind them, borne upon the currents of commerce, the great imports of foreign vegetable and animal oils which during 1914 to 1920 flowed into and through America like the water in the mill race, turning the wheels of our industries and, if the truth be known, probably contributed as substantially to our war-time prosperity as any other single factor.

America is now engaged in an endeavor to regain something of its war-time and post-war commerce, now largely diminished in volume. Of almost basic importance in this endeavor is the recovery of our trade in foreign vegetable oils, largely demolished by the untimely and rashly unwise import duties established in the emergency tariff on the more widely used vegetable oils. Our Department of Foreign and Domestic Commerce is alive to the situation. American industry is anxiously eager. The only negative voice is that of the dairyman and a scattering number of hog raisers who have heard, but do not know for a fact, that foreign vegetable oils are used in the making of lard and butter substitutes. As well say that bricks, used occasionally for pavings, are employed solely for that purpose, as could be concluded by those who look only at the ground. As for imported vegetable and animal oils, their uses in products competitive with lard and butter are negligible, but their uses in American technical industry are many and great.

THE TECHNICAL USER AND THE FARMER.

The attitude of the technical user of foreign vegetable oils is that he wants the farmer to get the idea out of his head that his neighbor's dog is a "sheep killer," and to find out for himself what a valuable integral part of American commerce and industry it is, indeed, upon which he looks with disfavor.

DOMESTIC COTTONSEED OIL CHIEFLY USED IN LARD AND BUTTER SUBSTITUTES.

Harking back to the article which appeared in Wallace's Farmer, it was suggested therein that the American hog men, dairymen, and cotton men join together in an effort to shut importations of vegetable oils out of the country with a tariff. This would assuredly be a case of swallowing a camel and straining at a gnat on the part of the hog men and dairymen.

The vegetable oil which is almost entirely used in the manufacture of lard and butter substitutes is not an imported vegetable oil, but domestic cottonseed oil made from cotton seed grown by the cotton man, as sundry Department of Agriculture Bulletins will reveal. American cottonseed oil is primarily an edible oil of very high quality, and is therefore used almost entirely for edible purposes except for a relatively small amount of off-grade oil which, being inedible, is used for technical purposes. To use prime quality cottonseed oil for technical purposes would be analogous to using a silk sofa cushion for a doormat.

It is not my purpose to write an indictment of cottonseed oil. It is the product of cotton seed produced by the cotton farmer, who must live and eat just as the dairyman or hog raiser, but anyone who wants to look for himself can see that the great source of lard and butter substitute, impossible to obstruct, is cottonseed oil. That the dairyman and hog raiser will make common cause with the cotton man is not to be expected. To live in amity with him, however, they have only to consider that the products made from cottonseed oil aid and do not deter American agriculture as a whole, for it is through the substitutes made from cottonseed oil that America is enabled to ship to Europe enormous quantities of hog lard each year, taking our toll on a considerable portion of the high-priced animal product and consuming the cheaper vegetable product ourselves. The farmer is the greatest of all American consumers of these vegetable substitutes and should not feel that he should don sackcloth and ashes, as some would have him believe, for doing that perfectly natural thing practiced by the traders of the world since time immemorial, namely, to sell one article at a given price and replace with another at a lower price.

NEGATIVE VALUE OF TARIFFS TO DOMESTIC PRODUCERS OF OILS AND FATS.

The theory of protection is not disputed herein, but is conceded as of value when actually needed. When surpluses exist, however, which must be marketed abroad, protection becomes useless and is apt to prove harmful through unseen conflict with the basic laws which govern the international exchange of commodities.

Economists agree that the surplus of a commodity, where of material proportion, makes the market. With the accumulation of undue surpluses there follows market demoralization, until the surplus is consumed or exported. Market prices therefore are made for commodities which are on an exportable basis, not at home, but abroad. The market prices of such commodities are world's market prices. Witness the world's market quotations on any one of the commodities of this nature on any given trading day. The price at any given world market place very closely approximates the price for the given commodity in the primary market plus the transportation and incidental charges necessary to lay it down at that market place.

America is on an exportable basis in oils and fats. Our imports of oils and fats are only two-thirds of our exports and only one-tenth of our total production of oils and fats. Conversely, Europe is on an importing basis. America is one of her greatest sources of oils and fats. To Europe we normally export annually 600,000,000 pounds of hog lard and 250,000,000 pounds of cottonseed oil. We export annually a total of 1,184,000,000 pounds of all oils and fats, which does not include 150,000,000 pounds of soap, 50,000,000 pounds of lard substitute, 17,000,000 pounds of butter, 16,000,000 pounds of oleomargarine, 37,000,000 pounds of paint and varnish, and other miscellaneous products quite large in the aggregate, and all made largely or entirely of oils and fats.

In supplying oils and fats (animal and vegetable) to Europe and other consuming areas we must compete on even basis with all other areas of agricultural production of the world, whether these competing areas be in Africa, South America, or Asia. If these producing areas have surplus fats and oils to sell they are going to sell them, and if they are of a nature which enables them to compete with American agricultural products there is no escape from that competition. It is merely a question of whether the competition shall be inside or outside. The competition outside is just as effective as the competition inside; one merely assails the formidable main body of the marketable commodity, whereas the other assails the helpless advance guard (the surplus), and if there were contests of supremacy to be fought, good generalship would hold that the main body is the best fitted to withstand assault.

I have explained herein why the competition of imported oils with American lard and butter in America is not material. The foregoing discussion of the world movement of oils and fats is given in order that the application and relation thereof may be seen to the entire field of domestic edible oil and fat production which embraces hog lard, cottonseed oil, peanut oil, corn oil, neutral lard, oleo oil and stearin, and the other domestic edible oils and fats, all bound together by rigid bonds of market relationship in such fashion that that which affects one of the group affects all in direct proportion to the size of the individual member affected. Should hog lard, the keystone of the group's market structure, be affected adversely, the market for the entire group would inevitably collapse. Cottonseed oil is of almost equal importance with lard in sustaining the market structure. Since there is a formidable surplus of both of these products which must find a market abroad and the price at which they are sold in turn establishes the domestic market, it can be seen how utterly futile it is to hope to influence markets 3,000 miles away by endeavor to artificially stimulate those at home.

In fact, such effort as that just mentioned, through its restraining effect upon American industry, which would otherwise keep a large amount of oleaginous materials out of the reach of European industries, harms the whole structure of the oils and fats markets of America by allowing the unrestrained operation of the European buyer unhindered by American price-raising competition in the primary markets of the world, thus enabling European merchants and manufacturers, unmolested, to store up low-priced reserves with which to batter down the prices of the exportable surplus of our agricultural and manufactured products of oleaginous nature.

* * * * *

The farmer and dairyman will do well to look closely into such matters as that discussed here before they importune our tariff-making bodies to grant them supposed protection which will injure them far more through its harmful effect upon American key industries and commerce than it would ever benefit them. American agriculture is now at the fore. Our legislative bodies, State and national, are in a receptive mood toward American agriculture, which received a hard drubbing when the prices of farm products fell perpendicularly from the great height up to which war conditions had buoyed them. If our farmers now prove themselves poor logicians, if they ask for measures which will not benefit them but will hurt others, if they cry wolf when there is no wolf, our legislators will grow impatient and turn from them, which will injure greatly American agriculture, because the means by which American agriculture can be advanced and enlarged are manifold and only need to be pointed out by conservative, sound-thinking men, whose names in the ranks of American agriculture are legion.

**STATEMENT OF J. L. BERRICKX, REPRESENTING THE GORGAS
PIERIE MANUFACTURING CO., PHILADELPHIA, PA.**

Mr. BERRICKX. We are copra crushers, and I am talking on the subject of copra.

Senator SMOOT. You want it free?

Mr. BERRIOCK. Yes, sir; I would not take up your time again if it had not been for the fact that earlier-appearing people have been here asking for a duty on copra.

Copra is an absolute raw material. It is not grown in this country, being a product of the tropics, and it does not come in competition, direct or even indirectly, with anything grown or produced in this country.

It is the raw material for the supply of coconut oil, the consumption of which, in this country, is equal to about 250,000 tons of copra per year.

Contrary to the assertion of the Crude Cotton Oil Tariff Committee, we maintain that coconut oil—and consequently copra—is not a competitor of cottonseed oil; but on the contrary is a great help to the cottonseed-oil industry.

Crude coconut oil is always dearer than crude cottonseed oil, and refined coconut oil is always very much dearer than refined cottonseed oil.

The chief use of cottonseed oil is in the making of compound lard, in which coconut oil is not used—if it were only for the good reason that refined coconut oil is about 2½ cents dearer than pure lard.

Coconut oil can not be used as a competitor for cottonseed oil as salad oil because coconut oil at a temperature of 73 or below is hard.

In the making of soap coconut oil is the chief ingredient for a lot of soap where cottonseed oil is used now along with coconut oil, just because the use of coconut oil is possible at reasonable prices. If coconut oil were not available to the soap maker at a possible price, he simply could not make that kind of soap; and he would not need cottonseed oil for that soap, either. Therefore, the fact that coconut oil is available makes it possible to sell cottonseed oil in quantity to the soap makers.

Furthermore, why should the making of coconut oil from copra be made impossible for the benefit of cottonseed oil? This country does not produce a burdensome surplus of cottonseed oil. In normal years and under normal conditions we produce about enough to go around.

If cottonseed oil could take the place of copra oil—which, however, it can not—how could we come out here? We would have to make more cottonseed oil, which is only possible by growing more cotton. Now, can the South afford to grow some two or three million bales of cotton more than a normal crop just for the sake of having the seed? What would happen to the price of their main product, the cotton itself?

Crushing of crude cottonseed oil is only a reasonable business. Instead of warding out copra, they should welcome it as a raw material which they could crush during the period when no cotton seed is coming in.

It seems to us that in looking for protection, which they do not need because they have no competition, the crude cottonseed-oil crushers, in fastening on copra, for which they ask a prohibitive duty, are trying to exclude their best friend and best helper.

We make free to say that the fears of competition entertained by the National Dairy Union are groundless.

Statistics produced for the years 1919 and 1920 do not tell a true story. These reflect conditions existing in the abnormal years just

following the close of the war, when little sanity presided over business and everybody was overbuying. Besides, it must be taken into consideration that such a big proportion of these imports was again exported, this country practically acting as transit agent, that in the end it will be shown that the actual consumption here does not vary much, that is, consumption of oils and fats.

Coconut oil is not, and never will be, a serious competitor for butter in this country.

Even if there were a real need and a big demand for margarine in this country, and if copra were absolutely embargoed from entering the country, then still margarine would be made here. Instead of exporting huge quantities of oleo oil and neutral lard to Europe, this would be kept here and turned into margarine. Margarine would be made without a single pound of copra coming here. Margarine making would not feel the disappearance of copra.

When butter is selling at a comparatively low price, within reach of almost everybody, then there is absolutely no sale of margarine at all. The public does not consider for a minute the difference between the price of butter and the price of margarine. They feel they can afford to buy the butter and then they buy and use butter; and the price of butter could really go quite a good deal higher before only certain people would begin thinking of using margarine.

At present the production of nut margarine in this country is only about 4,500,000 pounds average monthly, while last year it was still about 11,000,000 monthly average. Yet, butter at present is not so abnormally low in price, while margarine is offering at about 20 cents per pound less.

But the difference in price does not bear on the situation at all—people can afford to pay the present price of butter, hence they buy it and do not buy margarine.

Of course, it would be different if butter were again to go up around 90 cents a pound; then some people bought margarine even at 60 cents, because they could not afford to pay 90 cents for butter, but to-day they are not paying even 35 cents for margarine, because they can afford 55 cents for butter.

Certainly when butter goes up to 85 or 90 cents per pound the dairy people do not need protection. Such high prices are simply justified by the scarcity of the article, when there is not enough butter to go around. Then if there is not enough butter to fill the demand why should a substitute be a dangerous competitor? In such a case margarine would only serve to fill a void, and not as a replacement of butter.

So, when prices are high the dairy people do not have to bother about competition, because they could not sell more than there is of butter, and they get their price, and when the price for butter is comparatively low they do not have to bother about competition, either, because then people do not buy margarine.

Therefore, it is quite clear that it would be an economic heresy to make an important industry—that of crushing copra—absolutely impossible here in order to protect some dairymen against a competition which does not exist.

As a revenue producer a duty on copra would be absolutely nil.

It is free copra which makes the industry of crushing copra in this country possible, and even then the United States crushers have a hard time doing business and making ends meet.

In a paper submitted to the Ways and Means Committee of the House, a copy of which was submitted to your committee at an earlier hearing, we have set forth, as an example, the difference in cost of production and transportation of coconut oil in the Philippine Islands, as against the cost of production in the United States proper.

The pending bill, like its predecessor, provides for the entry free of duty of articles grown in the Philippines or manufactured there from products of the Philippines, which means that copra oil made in the Philippines enters the United States free of duty.

Therefore, if a duty be imposed on copra, the United States crushers are barred from buying copra in any of the other world markets, and their only avenue of supply becomes the Philippine Islands. However, we can not buy there, for the very sufficient reason that with the advantage the local mills have there over the American miller who has to buy copra in the Philippines and bring it over here for crushing the Philippine crusher can outbid the United States crusher all the time, by at least \$15 per ton, which is equivalent to a difference of about 1½ cents per pound of copra oil and, indeed, an insurmountable handicap.

A duty on copra, however small, would simply bar the importations of copra in the United States, so that it would not only be absolutely unproductive of revenue, but it would inevitably cause the closing of all the copra-crushing mills in this country and throw this entire American industry away to the Philippine Islands.

The duty on copra would be protection for absolutely nobody here in this country; it simply would be a protection for the copra-oil crushers in the Philippine Islands to the detriment of copra-oil consumers here and result in the extinction of the industry in the United States.

Now, those interests who ask for a duty on copra do not ask a protection against the importations of this commodity as copra; they ask it as a protection against what they, very erroneously, fear—the competition of copra oil.

However, a duty on copra will not, as we have shown, keep copra oil off the United States market; there will be just as much available, but instead of it being made here by American crushers, or some very goodly portion, it will all be made in the Philippine Islands; and, while undoubtedly the price will be rather high to the American consumer, since there will be no free competition, still it will not be so high as to bring about the condition which some of these people aim at; that is, to completely embargo coconut oil, because the duties they are asking for would really constitute an embargo, and their aim seems to be to entirely exclude copra and copra oil.

The consumer of copra oil—that is the soap maker and, to some extent, the margarine maker—occasionally will pay a higher price for their oil, which will be a tribute and extra profit to the copra crushers in the Philippines, and the United States mills will be out of the business.

No copra will come here at all.

This is all that a duty on copra would work out.

If we, as a country, want to keep our place in the far eastern trade, we must not be excluded from the world's copra trade. This

is too important a commodity. If we can't buy and trade in what the people out there have to sell, we have no chance of selling them anything of our production, and if we leave entirely to foreign interests the trading in this enormous traffic, which amounts to about 800,000 tons per year and which in many centers is practically the medium of exchange, we are hopelessly out of the running for doing any kind of business in these quarters.

Mr. Fowler, special trade representative in the Far East, who has just returned from Singapore and is now in the Department of Commerce, and who has very extensive data on that, we are sure will confirm this.

For all these reasons we ask you very earnestly that you please do not legislate the copra-crushing industry in this country out of business and to leave copra on the free list, which is a basic raw material and which is no competitor of anything grown or produced here.

VEGETABLE AND NUT OILS.

[Paragraphs 1620, 1626, and 1675.]

STATEMENT OF WALTER T. HATHAWAY, REPRESENTING COLGATE & CO., JERSEY CITY, N. J.

Mr. HATHAWAY. My name is Walter T. Hathaway. I am the manager of the purchasing department of Colgate & Co., Jersey City, N. J. I represent the soap manufacturers of the United States, and appear before your committee in reference to the following articles now on the free list: Palm oil, paragraph 1626; palm-kernel oil, paragraph 1626; palm nuts, paragraph 1620; vegetable tallow, paragraph 1675; and sesame oil, paragraph 1626.

None of these oils and fats are produced in the United States and are noncompetitive with the various kinds of oils and fats produced in the United States and are most important raw materials in the American soap industry.

Palm oil is an inedible oil and is used principally in the manufacture of soaps. A quantity is used also in the tin-plate industry and in the textile industry. As in the case of all other oils and fats, the soap industry can not pay more than international prices, and a duty on palm oil would prohibit its use and tend to force more of the higher grade American oils, like cottonseed oil, into the soap kettle at prices lower than could be obtained for these American oils for edible purposes.

Palm oil comes principally from the West Coast of Africa. The imports for the years 1910-1914 averaged about 30,000 tons per year. During the World War imports were restricted by lack of shipping facilities on the Atlantic, but with the return of normal conditions the importation of palm olive should be encouraged so our soap industry may have sufficient raw materials without using any of our edible oils and fats.

Palm oil is particularly suited for the manufacture of soap and has been continuously on the free list since the tariff act of 1883.

We urge the retention of palm-kernel oil on the free list for the same reasons as we have given concerning palm oil.

It is used exclusively in the manufacture of soap and does not compete with any American-produced oil or fat.

Sesame oil is used in the manufacture of soap and should be retained on the free list, where it now is in the bill H. R. 7456.

The soap industry has at previous hearings presented to your committee the destructive effect of any duties on vegetable oils and fats. These oils and fats are all interchangeable, and as the United States produces a large exportable surplus of oils and fats our domestic producers will be adversely affected by any tariff policy that shuts American industries off from the world's supplies, and American vegetable-oil industries, such as the soap industry, can not develop their export business and meet the demands of the American public for soap at reasonable prices.

Mr. Chairman, I have condensed my report here in conformance with your request, in order to be brief, and have covered this much more completely in the brief, which I would like to submit.

Senator McLEAN. What is vegetable tallow?

Mr. HATHAWAY. Chinese vegetable tallow comes from China. It is practically a wax, but has the characteristics of animal tallow, and can be used in the manufacture of laundry soap to good advantage.

Senator WATSON. How many different kinds of oil, Mr. Hathaway, are used in the making of soap?

Mr. HATHAWAY. We lean upon tallow as one of the big staples. The edible people use the very finest grades, called edible tallow, and we use what they can not use, which is the inedible tallow.

Then we can use soya-bean oil to a very good advantage, and palm oil is a very substantial item, and then there is sesame oil—when the price is low enough; and coconut oil is one of the very large items in our formulas.

And then there are many products such as Mr. Burkhardt spoke of in his olive-oil foots; then there is shea-nut oil, palm-kernel oil, also whale oil, and various fish oils.

Senator WATSON. Where are your factories located?

Mr. HATHAWAY. At Jersey City—that is, the principal one—although we have lately bought the old reformatory at Jeffersonville, Ind., and will make it over into a soap plant. Our desire is to have these various oils on the free list, and as soap makers the items that we use do not interfere with domestic products, which are for the most part all used for edible purposes.

BRIEF OF WALTER T. HATHAWAY, REPRESENTING THE BUREAU OF RAW MATERIALS FOR AMERICAN VEGETABLE OILS AND FATS INDUSTRIES.

Palm oil is an important raw material for laundry soap, continuously on the free list since the tariff act of 1883.

Inasmuch as there is no palm-oil industry in America and can be none, palm oil is competitive with no vegetable oil of domestic production. The Tariff Commission aptly states in their review of palm and palm-kernel oils, page 144 of Tariff Information Surveys: "The production of palm oil is necessarily restricted to West Africa, because of the rapid deterioration of the outside fleshy part of the palm fruit from which the palm oil is manufactured." Palm oil, being of high titer, is one of the most suitable of the cheaper inedible oils used in the making of common soap.

TABLE 1.—Imports of palm oil, with values.

Fiscal year.	Imports for consumption.		Value per pound.
	Quantity.	Value.	
	<i>Short tons.</i>		
1910.....	48,815	85,584,882	80.080
1911.....	28,625	4,086,362	.072
1912.....	29,458	3,030,851	.066
1913.....	24,221	3,368,515	.070
1914.....	30,876	4,118,077	.067
1915.....	18,741	2,094,837	.064
1916.....	30,310	3,918,523	.072
1917.....	18,087	3,318,417	.082
1918.....	13,704	2,827,871	.082
1919.....	9,640	1,651,230	.065

Palm oil of the grade imported being of very high free fatty acid content is not adapted for edible use. It therefore competes with no edible oil and practically speaking is never used for edible purposes.

While in prewar days considerable palm oil came to the United States by way of Great Britain, being transhipped from Liverpool, the tendency has been since the war for the palm oil to move direct from the West Coast of Africa to the United States, in which trade considerable American tonnage has been employed.

Palm oil, like other foreign vegetable oils, comes from those primitive countries which, not being themselves manufacturing nations, are therefore the most likely customers for the products of American industry.

To restrict or place duties upon the free importations of palm oil and similar raw materials from foreign countries, especially when these materials are worked up by American industry into the form of various products which are again exported, would manifestly be a serious mistake, not only to the extent that our manufacturing industries which depend upon these oils would be curtailed in their manufacturing operations, but our facilities for conducting export trade in many other commodities, such as iron and steel products, machinery, leather, shoes, and all kinds of other manufactured goods, would be seriously hampered. These imported oils and fats come from the most primitive countries in the world, such as Africa, Manchuria, China, South Sea Islands, etc., where the trend of modern civilization has only begun, and these countries offer tremendous opportunities to the United States for every conceivable kind of manufactured goods and especially types of manufactured goods that embody a good margin of profit for the American manufacturer. Furthermore, the welfare of our new merchant marine is entirely dependent upon the policy of placing no unnecessary obstructions in the way of foreign trade.

The consumption of palm oil by the soap industry from the years 1912 to 1917, inclusive, as shown by supplement to Bulletin No. 789 of the United States Department of Agriculture, is shown in the following table:

TABLE 2.—Consumption of palm oil by soap industry.

	Pounds.
1912.....	7,546,000
1914.....	71,898,000
1916.....	14,938,000
1917.....	27,345,000

Palm oil is important not only in the manufacture of soap but is also used in the manufacture of candles. It is used to the amount of 10,000,000 pounds annually in the tin-plate industry. It finds considerable usage in the textile mills for the softening and finishing of cotton goods.

The Tariff Commission states in regard to palm oil: "There is no special tariff problem connected with palm oil, since the production of this article is necessarily restricted to the source of supply of palm fruit, which is British West Africa. It is used chiefly in the manufacture of soap, and its treatment for tariff purposes logically falls in the raw-materials class."

We respectfully petition the committee to retain palm oil upon the free list.

PALM-KERNEL OIL.

Palm-kernel oil, like palm oil, is the product of the fruit of the palm. Palm-kernel oil is the product of the kernel on the inside of the fruit, while the palm oil is manufactured from the fleshy outer portion of the fruit.

Palm-kernel oil under normal trade conditions is a valuable soap oil. It has the same desirable characteristics which make for good lathering qualities, as coconut oil, which it resembles closely. Palm-kernel oil is, like coconut oil, very desirable for use in cold-process soaps.

We present herewith a table which shows the annual consumption of palm-kernel oil by the soap industry from 1912 to 1917, inclusive:

TABLE 3.—Consumption of palm-kernel oil by soap industry.

	Pounds.
1912.....	20, 580, 000
1914.....	31, 376, 000
1916.....	5, 804, 000
1917.....	4, 762, 000

Besides its use in soap, palm-kernel oil finds a smaller field of usage in the manufacture of nut butter, in which it is used as a substitute for coconut oil.

Palm-kernel oil competes with no domestic oil other than coconut oil, and this only in a small way, coconut oil being by far the more important oil of the two.

Inasmuch as there are certain physical difficulties encountered in crushing palm kernels, the source of palm-kernel oil, American crushers have never made more than what might be termed an initial step in the crushing of palm kernels. The shell is very hard and the effect upon milling machinery is such as to discourage the efforts of crushers not specially equipped for the crushing of nuts of such nature.

Since there is no domestic production of palm-kernel oil of any material importance and no apparent desire of American crushers to make any important effort to crush palm kernels in this country, there would of course be no object in placing a duty upon palm-kernel oil.

We respectfully request therefore that palm-kernel oil, which has been on the free list since it was separately listed in 1909, be retained on the free list.

The retention of palm-kernel oil on the free list will render the task of the soap maker proportionately easier in supplying the demand for low priced (laundry) soap and to compete with foreign soap makers. The American soap maker must have a flexible supply or "currency" of raw materials upon which he can draw with each change of conditions, always with the same object in view, which is to continuously perform the service of supplying the American housewife with a cheap bar of laundry soap.

That this latter service has been conscientiously performed by the laundry soap makers of America can not be better exemplified than by the percentage of advance in the price of soap during the past five years of high prices, a percentage of advance which was proportionately less than the advance in other products. Laundry soaps, on which the range of price to the consumer prior to the war was around 3½ to 5 cents per cake, depending upon the size of the cake, did not sell higher than 6½ to 10 cents per cake (the 9 and 10 cent price being rather a country price), and during the past six months the tendency of prices has been lower, with the price to-day around 4 to 7 cents per cake. The manufacture of laundry soaps has not been a profitable industry during recent years.

PALM KERNELS—PALM NUTS.

Although there is no domestic palm kernel crushing industry of importance we would respectfully request that palm kernels and palm nuts be retained upon the free list in the hope that American crushers may at some future time look with more favor upon the crushing of these nuts.

VEGETABLE TALLOW.

Vegetable tallow is an important constituent of laundry soap. It should be stated that this commodity is not a tallow, but is really a form of vegetable wax. Two kinds of vegetable tallow are imported, white and green.

The following table reveals the annual consumption of vegetable tallow, commonly called Chinese vegetable tallow as practically all imports originate there, by the soap industry:

TABLE 4.—Consumption of Chinese vegetable tallow by the soap industry.

	Pounds,
1912.....	2, 013, 000
1914.....	3, 485, 000
1916.....	5, 278, 000
1917.....	6, 417, 000

The consumption of Chinese vegetable tallow by the soap industry substantially represents the entire imports.

Vegetable tallow was on the free list in the tariff act of 1913 and is on the free list in the proposed Fordney tariff. It is noncompetitive with American products and we respectfully request that it be retained upon the free list.

The volume of vegetable tallow produced in China is not large and the volume imported and consumed by the soap industry in proportion, yet it is a part of the flexible supply of raw materials or "currency" of raw materials which the soap maker must possess in order to keep the price of common soap at a low level and to counteract the fluctuation in the price of different raw materials, the use of which if the soap makers were forced to depend upon solely would force upward the price of common soap.

SESAME OIL.

Sesame oil, which is on the free list in the Fordney tariff, would be an important soap oil were it not for the fact that in the tariff act of 1913 a duty of 1 cent per pound was placed upon sesame or sesamum oil, which has acted as an effective barrier against imports of any volume.

The consumption of sesame oil by the soap industry is shown in the following table:

TABLE 5.—Consumption of sesame oil by the soap industry.

	Pounds,
1912.....	1, 110, 000
1914.....	11, 000
1916.....	8, 000
1917.....	5, 000

It will be noted from the above table that after the tariff act of 1913 became effective sesame oil, which had been used in fair volume in the soap kettle in 1912, was practically put beyond the reach of the soap maker.

We would at this point call attention to the fact that the levying of duties upon the raw materials of the soap maker results in the stoppage of the imports of the particular commodity upon which the duty is levied and no revenue is resultant from the duty because the soap maker can not purchase the oil or fat upon which the duty has been placed. The soap maker must have cheap fats and oils to manufacture into soap, and whenever a duty is placed upon any raw material which he is accustomed to use he must perforce immediately forget the existence of that raw material and use something else, because he can not pay higher prices for raw material and produce low-priced soap.

We desire to call the attention of the committee at this point to the effect of the levying of a duty upon another raw material of the soap maker, namely, animal tallow, which is discussed in a separate brief but is touched upon at this point to reveal the nonrevenue producing and embargo creating tendency of duties upon soap makers' raw materials.

The tariff act of 1905 placed a duty of three-fourths cent per pound on animal tallow. The act of 1909 carried a duty of one-half cent. The act of 1913 removed this duty. In the six years during which the duty had been in effect prior to 1914 the importation of animal tallow had been reduced to practically nothing; in fact, importation averaged less than 650,000 pounds per annum. The soap maker could not afford to buy imported animal tallow with the half-cent duty thereon.

Sesame oil, while an edible oil, is not comparable in quality with our domestic cottonseed oil, having a low titer, and inasmuch as the Chinese mills which prepare it generally heat the seed an objectionable dark color is imparted to the oil which renders it largely unsuited for edible purposes owing to the liability of the refiner to bleach it. The laundry-soap maker, however, can use this dark-colored oil for yellow soaps without difficulty.

Sesame oil, if placed on the free list as scheduled in the Fordney bill, will add to the laundry-soap makers' list of raw materials, increasing that flexibility of supply which is so all essential to the soap maker in avoiding the occasional upward rush in the price

of various fats and oils which the soap maker uses, a response to which on the part of the soap maker would render negligible his efforts to produce soap at a low price.

We respectfully request the committee to retain sesame oil upon the free list as scheduled in H. R. 7456.

To meet the demand for low-priced soap the soap maker must be able to quickly change his formula, decreasing the proportion of an oil or fat which has increased in price and replacing this high-priced oil or fat with one which has remained more moderate in price.

There is not available in the United States, except in a limited way, a supply of basic raw materials for the manufacture of soap. As rapidly as the soap makers have developed sources of raw materials, particularly vegetable oils and nut oils, the increase in the domestic edible consumption of fats and oils, as well as the world consumption of fats and oils as food, has taken such commodities partly or entirely from the soap kettle. The transfer was through the conversion into edible products of such oils as were edible, making it necessary for the soap manufacturer to constantly develop new sources of supply (particularly vegetable and nut oils) in foreign countries. To-day they are going farther afield for such materials than ever before, necessitating tremendous risks in connection with fluctuating market values, in order to provide suitable raw materials for the manufacture of such soaps and the maintenance of a low price to the consumer.

Palm oil, palm-kernel oil, vegetable tallow, and sesame oil are all oils of primary interest to the soap maker. The imposition of a duty upon such oils and fats would be productive of no return in revenue, and through restricting the range of choice of raw materials of the soap maker would act to increase the price of laundry soap.

STATEMENT OF JOHN ASPEGREN, REPRESENTING PORTSMOUTH COTTON OIL REFINING CORPORATION, PORTSMOUTH, VA.

Mr. ASPEGREN. Mr. Chairman and gentlemen, I represent the Portsmouth Cotton Oil Refining Corporation, of Portsmouth, Va., whose president I am, probably the largest of the independent vegetable-oil refiners in the country, a factory which has during the last two years turned out over \$20,000,000 worth of manufactured articles each year.

I also represent the Gulf & Valley Cotton Oil Co. (Ltd.), of New Orleans, La., whose president I am, as well, and which is a similar corporation.

I further represent the International Vegetable Oil Co. of Atlanta, Ga., in which company I am a director and general manager, which has crude-cottonseed crushing establishments in Houston and Dallas, Tex., and in Savannah, Augusta, Arlington, and Tifton, Ga., and cotton-oil refineries in Savannah and Atlanta, Ga.

Over 95 per cent of the business of these companies consists in crushing cotton seed and refining the crude cottonseed oil and making it into high-grade finished products.

I desire to speak to you for these companies on the subject of the oil seeds and vegetable oils that are on the free list, and have been on the free list, as well as to the extent that they are in the same category on the subject of those that in the present bill have been moved from the free list to the dutiable list, and I know that my sentiments are approved by the trade as a whole.

May I first call your attention to the fact that, with the exception of peanuts and olives, which are also used for food purposes in the original state, practically all seeds are crushed and made into oil and oil cake?

May I further call your attention to the fact that practically all the vegetable oils, with the exception of linseed oil and castor oil, are in their uses interchangeable? Their relative value may be somewhat

different, but one can and will replace the other one. May I also call your attention to the fact that not only are these oils interchangeable between each other, but they are also interchangeable in their uses with other fats, such as lard, etc. It, therefore, becomes necessary to treat the whole oil and fat situation as a whole proposition. I may point out to you, for instance, that anywhere from 80 to 80 per cent of the cottonseed oil produced in this country is made into so-called hogless lard, lard substitute, lard compound, Crisco, Fluffo, and other similar products, and it therefore is apparent that the price of one oil and fat directly bears on the price of another one.

Treating them as a whole, I would like further to call your attention to the fact that this country exports oils and fats in excess, probably, of about 2,000,000 barrels more than it imports. I could furnish statistics to you, but they have been given to you by others, so there is no need of clogging your volumes with it, and the only way anyone could arrive at any different results would be by excluding certain fats and oils, which, of course, would be an erroneous way of handling it.

Of all the oils produced in the world our cotton-oil production in this country is undoubtedly the largest. We produce in this country more cotton oil than there is olive oil produced in the entire world; more than there is soya-bean oil produced anywhere; more than there is coconut oil, sesame oil, or peanut oil produced anywhere.

Those who ask for protection on oil seeds and vegetable oils, therefore, advocate it with the idea that it would be a protection for the cotton-oil industry of the South. If I except the peanut growers—and we have no objection to giving them protection for their peanuts that are used in their original state, although we do object to a duty on peanut oil; and if we also except the small olive-oil growing industry in California, and it is immaterial to us what you do about the duty on olive oil, from our own point of view, except to the extent that you may put a prohibitive and exorbitant duty on it, in which case it has and will cause retaliation on the part of some of the European countries which are customers of ours for our cotton oil.

With the exception of those two articles, I do not believe that you have had any demand for protection against these vegetable oils and oil seeds from anybody for the purpose of protecting any industry except ours, with the possible other exception of the dairy industry or agricultural industry, which is located and placed in exactly the same position as ourselves; and if we do not need the protection I feel sure that they will not need it either.

It consequently leaves the whole situation to this: Whether the South needs and wants protection for its cotton seed and whether we as an industry need and want it.

When prices of commodities in all the markets of the world dropped about a year ago, our industry and our articles suffered like everything else. When, therefore, it was proposed to give us the protection in the emergency tariff, we naturally were not averse to same. A great many of the people in our industry were vigorous advocates of this protection, whereas others were not averse to it. You will remember that I appeared before your committee at that time myself and stated I was not averse to it. Since that time we have had six months' experience with this tariff, and now I come before you and ask you for Heaven's sake please to protect us against this protection. [Laughter.]

The results have been so detrimental that I am ready to-day to state that if we were to have protection in the permanent tariff bill it would be, next to the boll weevil, the greatest calamity we have had in the South and in our industry.

While I am speaking mainly for my own companies, I know that sentiment in our entire trade, in which six months ago there was a considerable sentiment for a tariff, has now swung around in the opposite direction, and I do not believe you can find a single cotton-oil refiner in the country that is in favor of it. They are 100 per cent against it now; and as far as the crushers are concerned, a majority is now against a tariff and the remainder is rapidly beginning to believe the same way. Only 10 days ago the Interstate Cotton Seed Crushers Association's commerce relations committee—this association comprises practically all the cotton-oil mills in the country—met here in Washington to hear arguments both ways, and they finished with a unanimous resolution recommending to the association that it emphatically go on record against a permanent tariff due to its detrimental effects. To show you how sentiment is swinging around, I may add that some of the members of this very committee I mentioned were among the original signers asking you for a tariff in the emergency tariff bill.

Let me explain to you what has been the effect of our six months' experience of the emergency tariff.

Previous to the war a large majority of oriental oil seeds and vegetable oils were exported to Germany by direct ships. During the war, with the shipping space scarce, trade routes were changed, and these oil seeds and oils were rushed across to America, and the finished products were manufactured here and by us in our turn shipped to Europe.

After the war trade continued very largely in these channels, and although England and Holland tried to make inroads upon it and succeeded in getting part of the trade, we maintained a large part of what we had gained. Since the emergency tariff bill was adopted we have, in the first place, with the exception of the Philippine Island production, lost this entire trade. England and Holland have to-day taken entire control of it, and all our gains acquired during years of hard work have been wiped out. One of my export salesmen who came back from Italy the other day reported that England had this year sold not less than 100,000 barrels of English-manufactured oriental soya-bean oil in Italy. Previous to the emergency tariff, and without such a tariff, the crude soya-bean oil would have gone to this country and we would have shipped to Italy either cotton oil or refined soya-bean oil or other oils and fats. In previous seasons my own companies have sold anywhere from 10,000,000 to 20,000,000 pounds of such oil to Italy, and this season we have been unable to sell a single pound. In a similar way the rest of our trade has been lost. In other words, all that the emergency tariff has accomplished has been to exclude from our borders importations of about a million barrels of oriental oils or their equivalents in oil seeds, and the exportation of a similar amount of finished oils or fat products. It has given us no protection and it has not given the Federal Government any revenue. I call your attention, for instance, to that during the months of July, August, September, and October there were imported dutiable coconut oil

only 179,498 pounds; dutiable peanut oil, only 858,695 pounds; and dutiable soya-bean oil, only 510,315 pounds; giving the Government only about \$40,000 in duty for one-third of the year, as against the claims of \$25,000,000 a year that were made by people advocating the tariff. Our industry has lost the chance to manufacture this oil; our shipping, the chance to transport it; our railroads, likewise; our barrel manufacturers, the chance to manufacture the barrels for it; and any number of other trades and industries an equal opportunity that goes with the trade as a whole; and last, but not least, our labor a chance to get employment.

While this direct detriment is, of course, a calamity, I should say a case of biting our noses in spite, the indirect detriments are even worse.

Right after the war the oleomargarine industry of Germany was bought up practically in its entirety by the Dutch. I understand that two people in Rotterdam practically control this entire German industry now, besides the Dutch industry. In England similar concentrations took place, and you are undoubtedly familiar with the tremendous concentrated growth, for instance, of Lever Bros. On account of the emergency tariff we in this country are practically excluded from bidding on the oriental product. And the concentrated European buying, realizing its monopoly, has since then been in practically exclusive control of the price-making factors of the world. It has bought the entire oriental output at as low a price as could be worked, limited only in its minimum by the food value of the beans and nuts themselves in the Orient. In exclusive control of this entire supply, they have afterwards practically dictated to us the prices at which we were to sell to them our export surplus of oils and fats, and I need not say that the result has not been to the advantage of this country.

We have been denied any part whatsoever in the markets of the world in the price making of our own products, such as cotton oil and lard. Our export surplus had to be sold at values that thus have been artificially made for us, and naturally the price obtained for the export surplus has made the value similarly low on what we have sold for domestic purposes. Furthermore, right after we passed the emergency bill in this country Europe took the cue from us, and France doubled the duty on cotton oil and Italy trebled it, so that, for instance, to-day the duty on cotton oil entering Italy is three times the duty on soya-bean oil that has been made and manufactured in England, Holland, and Denmark. Commanditore Di Nola, Director General of Commerce of Italy, frankly told my export representative the other day that Italy had adopted this emergency tariff in retaliation against ours on olive oil; and while it was only an emergency tariff on their part, they intend to make it permanent provided we make ours permanent.

May I, therefore, in conclusion say again that we ask you please to protect us against protection. We realize your good intentions, and we thank you very much for the help that you have at all times been willing to extend to us; but, after the experience we have had, we now ask you to let us go ahead without protection. We want no duty of any kind on any oil seeds or vegetable oils, and if you leave

it that way we have no doubt that we shall be able to maintain American supremacy in the oils and fats markets of the world, notwithstanding our somewhat higher cost of production.

In asking for that, I want to make the following reservations: Linseed oil and castor oil are not in their uses interchangeable with the other vegetable oils. And we are perfectly willing that should the parties interested want a duty on same that their wishes should prevail, and you can disregard us entirely in the making of a duty or tariff on same.

Further, in regard to olive oil, we are not afraid of a competition with same. Our processes of manufacturing cotton oil are improving so rapidly that we feel eventually our cotton oil, which we sell under its own name, will be preferred to olive oil, although olive oil has the advantage of a thousand years of perfect advertising, whereas cotton oil is a development of the last 30 years. Before the adoption of the emergency tariff we were able to sell our cotton oil even in Italy in competition with olive oil (the Italians are pretty good judges of oil), and the oil was consumed there and did not come back here, as is popularly believed in some quarters. We oppose an excessive duty on olive oil because it causes retaliation on the part of Italy against our cottonseed oil, but we have no objection to a moderate duty on olive oil if the California growers want it; in other words, similar to the one we had before the emergency tariff went into effect.

With these exceptions we ask that you please keep on the free list all the oil seeds and vegetable oils you have there at the present time, and move back to the free list those that in this bill have been moved into the dutiable list. We ask, consequently, for free copra and free coconut oil; for free sesame seed and free sesame oil; for free cottonseed oil and for free peanut oil; for free soya beans and for free soya-bean oils; for free palm kernels and for free palm-kernel oils and for free palm oils.

In conclusion, while I speak for my own factories, which are all located in the South, I can bring here before you practically every oil refiner in the country, and you will learn from their lips that they are all unanimous in asking you for the same thing that I am asking you for; and so far as the seed-crushing industry is concerned, already now the majority is of the same opinion, and the rest, possibly with exception of those in Texas, are gradually coming around as fast as their legs can take them and as fast as they realize the causes of our present calamity. I want to emphasize that I am for protection wherever protection will do any good; and I do not want you to misinterpret my words by thinking that I am a theoretical free trader. I do know from actual experience, however, that protection for our cotton-oil industry in the shape of a duty on other competing vegetable oils is absolutely misapplied and will act as a tremendous detriment to our country. Again I say we will be able to take care of ourselves without protection. We know that you will give us whatever we need in the way of protection, and we appreciate your good intentions; but if you want to do something real good for us, please save us against protection in this instance.

I thank you, gentlemen.

OLIVE OIL (INEDIBLE).

[Paragraph 1623.]

STATEMENT OF A. M. BURKHARDT, REPRESENTING THE PALM-OLIVE CO., MILWAUKEE, WIS.

Mr. BURKHARDT. I wish to speak on the subject of inedible olive oil, and ask that it be retained on the free list as in preceding tariffs, and, in addition, ask for a definite provision on the free list for olive-oil foots or sulphured olive oil not now specifically provided for.

The imports during the year 1916 were 14,246,000 pounds; during 1917, 8,308,000 pounds; 1918, 159,000 pounds; 1919, 8,541,000 pounds; 1920, 8,664,000 pounds; and for 1921, 10 months, 12,032,875 pounds.

Senator McCUMBER. What kind of olive oil?

Mr. BURKHARDT. Olive-oil foots, sample of which I have here. Olive-oil foots are produced by means of an extractive agent, carbon bisulphide, from the pulp after the virgin or edible oil and the commercial oil have been pressed out, and the foots are made from the pomace remaining after second pressing is made. It is, therefore, a by-product, which we use in Palmolive soap.

In 1921, out of the 10 months' total importation of 12,032,875 pounds, we used 5,292,545 pounds, or 43.98 per cent of the entire importation.

As we understand it, there is a movement afoot on the part of the California Olive Growers' Association to ask to have inedible oil and olive-oil foots put on the dutiable list. As a matter of fact, the highest production in any one year of edible olive oil in California was 200,000 gallons, and there was absolutely no olive-oil foots, the soap-makers' material, produced in California. During the year 1918, when Italy embargoed the exportation of olive-oil foots, we made an exhaustive survey of California as a source for our raw product. We could not find it. So it was finally necessary for us to enter into an arrangement with the Italian Government by which we brought in the soap made of olive-oil foots, the glycerin having been recovered prior to the exportation from Italy, and which enabled us to stay in business in that way.

Senator SMOOT. What is the word that you desire to add to this paragraph?

Mr. BURKHARDT. I have it in the brief here, Senator, which I would like to put in the record. We ask that special provision be made for olive-oil foots or sulphured olive oil in the free list.

Senator McCUMBER. That may be done.

(The brief is as follows:)

We petition that olive-oil foots and inedible olive oil be retained on the free list as in preceding tariffs.

There would be no object in placing a duty on importations as there is no domestic product, practically speaking, i. e., the production is so small that the records of domestic commerce carry no mention of same. From a viewpoint of revenue practically no revenue would result from such duty because the imports are too small. Were a duty levied, however, it would exclude this soap-making material from the country, to the detriment of the soap makers who employ it in their formulas.

Inedible olive-oil and olive-oil foots are used in the manufacture of soaps used for toilet purposes and for soaps used in the textile industries.

Olive-oil foots are produced by means of an extractive agent, carbon bisulphid, from the pulp or residue (pomace) which remains after the edible and commercial

oil have been pressed from the olives. It is therefore a by-product. The first pressing from the ripe olive produces the virgin, or as commonly known, table oil; the second pressing results in the inedible or commercial oil. From the remaining pulp is extracted an oil described as olive-oil foots, which is in all respects similar to inedible oil in characteristics with the exception of color, which is dark green, while inedible oil is a light yellow.

The imports of olive-oil foots and inedible olive oil which enter the United States largely originate in Italy, Spain, and France, although small quantities originate in Greece and Turkey.

The following table shows the imports of olive-oil foots or sulphured olive oil into the United States during the years 1916 to 1921, inclusive.

TABLE 1.—Imports of olive-oil foots or sulphured olive oil.

	Pounds.
1916.....	14, 246, 000
1917.....	8, 308, 000
1918.....	159, 000
1919.....	6, 541, 000
1920.....	8, 664, 000
1921 (10 months).....	12, 032, 875

We are unable to give any records of domestic production, for, as previously stated, such domestic production as exists is so insignificant that it can not be recorded.

We who have been in the soap business for over 40 years and have used imported olive-oil foots for over 22 years can say that in this whole period of our use of olive-oil foots that we have never been solicited for business by a concern or concerns dealing in domestic olive-oil foots or inedible olive oil.

We believe we are the largest American users of olive-oil foots. The imports for the first 10 months of 1921 aggregate 12,032,875, of which we used 5,292,545 pounds, or 43.98 per cent. Our national advertising, which covers the entire United States, emphasizes the fact that we use olive oil in every advertisement, and consequently were there a production of olive-oil foots in this country this fact would most assuredly have been brought to our attention. During the war, in the year 1918, comparatively no olive-oil foots were imported into this country. As olive-oil foots are absolutely essential in the manufacture of our Palmolive soap, we looked to California as a source of supply. An exhaustive investigation was made at that time, which disclosed the fact that there was no quantity of olive-oil foots to be found, and we could locate only approximately 30,000 pounds of inedible olive oil. We use 500,000 pounds per month, so that 30,000 pounds is nothing. After much negotiating, we were finally enabled to import soap manufactured from olive-oil foots in Italy through special arrangement with the Italian Government, and only so because of the fact that the glycerine had been recovered from the oil prior to exportation from Italy. This gives an idea of the extreme measures we took to secure the necessary raw material to enable us to continue in business.

The California olive crop is principally pickled in brine, and only a very small proportion of the crop is used to produce olive oil.

Inasmuch as the domestic production of olive oil, in which we are in no way interested, is very small, the highest production being only about 200,000 gallons, it can be seen why there is, for all practical purposes, no production of olive foots, because the foots are a by-product and there is therefore practically speaking no residue from which to make the foots.

If corroborative evidence be needed that there is no domestic production of olive-oil foots or sulphured olive oil, we quote herewith from Bulletin No. 769 of the United States Department of Agriculture, page 17, as follows:

"The custom of extracting the final press cake with carbon bisulphid or other solvent, as practiced in Italy and France, has not been deemed commercially profitable in the United States. The oil obtained by a carbon bisulphid extraction is dark green, due to the presence of chlorophyl, the green coloring matter of plants, dissolved from the pomace by the solvent, and has a rank, disagreeable odor and flavor."

It is evident, therefore, that from a viewpoint of protection there is absolutely nothing to protect in this country which in any way comes in contact with inedible olive oil and olive-oil foots.

In view of the fact, therefore, that any proposal to remove inedible olive oil from the free list would not contain the remotest element of logic, we respectfully petition that it be retained upon the free list.

CHINA WOOD OIL.

[Paragraph 1626.]

STATEMENT OF ARTHUR DAVIS, PRESIDENT STANDARD VARNISH CO., NEW YORK CITY.

Mr. DAVIS. My name is Arthur Davis; president of the Standard Varnish Co., New York City.

Mr. Chairman and Senators, I represent the National Varnish Manufacturers' Association of the United States, and also other varnish manufacturers. I appear in reference to China wood oil, or Chinese and Japanese tung oil, in paragraph 1626, H. R. 7456.

The Ways and Means Committee placed China wood oil on the free list in this pending bill, and the varnish industry of the United States are unanimously opposed to any duty whatsoever being imposed on China wood oil.

Since your honorable committee received this bill from the House, a brief was filed with your committee on August 17, by certain cottonseed crushers, pleading for a duty on China wood oil, and in view of this the American varnish industry have delegated me to appear before your committee and urge upon you the great necessity for a free and unrestricted supply of this important raw material and to request that China wood oil be not removed from the free list as now contained in paragraph 1626 of H. R. 7456.

China wood oil is not produced in the United States and does not displace the use of any oils produced in this country and, therefore, is entirely noncompetitive and does not present any tariff problem.

Senator WATSON. Is that included in what is called the Chinese and Japanese tung oils?

Mr. DAVIS. Yes, sir; it is the same thing.

The chief function of varnish is for protective purposes, and China wood oil plays the most important part of any raw materials entering into the manufacture of the more important of our products.

Senator McCUMBER. How long have you been using this wood oil in varnishes?

Mr. DAVIS. About 25 years.

Senator McCUMBER. What did you use before that time?

Mr. DAVIS. We used linseed oil.

Senator McCUMBER. It is a substitute for linseed oil?

Mr. DAVIS. No, sir; it is not. I explain that a little further on in my short remarks.

Senator McCUMBER. It evidently has been substituted for it, because you have used that for the last 25 years and you did not use it before.

Mr. DAVIS. We are using China wood oil now especially in connection with domestic gums, such as rosin, which we did not use before. We used in those days certain fossil gums, which we imported, and we used those fossil gums in connection with linseed oil. Nowadays we use domestic gums and China wood oil and make a better grade of varnish for many purposes.

Our products are used more especially on farm implements, railway coaches, furniture, buildings, electrical apparatus, ships, and airplanes.

A duty on China wood oil would divert the supply of this valuable and necessary raw material to other countries, thereby working

great injury to the varnish industry in the United States without in any way benefiting the American producers of other kinds of vegetable oils.

A duty on China wood oil would restrict its use in the United States, and consequently a large outlet for our domestic gums, such as rosin, would be seriously curtailed, as rosin can not be used in the manufacture of varnish unless in combination with China wood oil.

In a gallon of wood-oil varnish 30 per cent is China wood oil, and about 30 per cent of the rosin produced in the country is consumed by the varnish industry.

There are about 350 varnish manufacturers in the United States, and this great industry is doing its utmost to develop export business, and if a duty is placed on China wood oil the industry could not do any export business at all; and we would be forced to raise the selling prices on varnish to the domestic trade. At the present time there is so much repair work and building construction to be done that any advance in the price of varnishes would work a hardship on the consumer.

Varnishes used in buildings are made of China wood oil. A duty on China wood oil would stifle the varnish business in the United States and divert it to Great Britain and Canada. There is no duty on China wood oil into Great Britain or Canada, and their labor, cans, and freight rates are lower than ours; therefore, without free China wood oil we can not compete with them.

The importing of free China oil to the varnish industry is vindicated by the following statistics: The value of varnish products made in the United States in 1919 was \$83,632,000. During this same year China wood oil to the value of about \$9,000,000 was used in the production of varnish.

Now, in a nutshell, gentlemen, it is necessary to have free China wood oil to make the high-grade durable and waterproof and protective coatings which are so badly needed. We want to use our domestic gums, such as rosin; without China wood oil we can not do so. If you placed a duty on China wood oil you would do great injury to the rosin industry as well as to the varnish industry. Finally, we want to be able to compete with other countries on our products.

The use of China wood oil in the varnish industry is all important; it is unreplaceable. It is as important to us as the use of linseed oil in the paint industry.

BRIEF OF ARTHUR DAVIS, REPRESENTING THE BUREAU OF RAW MATERIALS FOR AMERICAN VEGETABLE OILS AND FATS INDUSTRIES.

We desire to submit our recommendations that Chinese and Japanese tung or nut oil (known commercially as China wood oil) now on the free list in H. R. 7456, paragraph 1626, be retained on the free list.

China wood oil has been on the free list continuously in the tariff acts of 1890, 1909, and 1913, and has been retained by the Ways and Means Committee on the free list in H. R. 7456.

China wood oil is not produced commercially in the United States and can not be owing to the climatic conditions.

China wood oil is entirely different in character from any other vegetable oil in the world, and hence while the importations do not present any problem of competition on account of no production in the United States, it is also a fact that China wood oil does not compete with any other kinds of vegetable oils produced in the United States or elsewhere and in its uses is not interchangeable with other vegetable oils.

The composition of China wood oil is such that under heat it gelatinizes and solidifies, due to polarization. No vegetable oil produced in the United States possesses this peculiar property, which makes China wood oil an indispensable raw material for the American paint and varnish industry.

USES OF CHINA WOOD OIL.

The peculiar properties of China wood oil make it highly desirable for use in the manufacture of varnishes.

China wood oil and domestic rosin when heated together produce a compound with which is manufactured varnishes particularly adapted for the protection of all kinds of agricultural implements, furniture, railroad coaches, vessels, airplanes, and for the proper protection of a great many other surfaces of wood and metal.

In the manufacture of varnishes for many purposes China wood oil and domestic rosin are used in large quantities and the varnish compounded from these materials is of superior quality. To curtail the use of China wood oil in the varnish industry by increasing its cost through the imposition of duties would result in a relative curtailment in the amount of American rosin used.

In the manufacture of insulating varnishes China wood oil produces a varnish possessing much greater insulating qualities than that made from any other oil and fossil gums. The consumption of insulating varnishes is very large and the importance of an efficient insulating varnish at a reasonable cost is of great importance to many manufacturers who are seeking export markets for their electrical equipment in competition with European manufacturers. The resistance of an insulating varnish to electrical conductivity is in direct ratio to the percentage of organic acids present. Varnishes made from other oils and fossil gums have a higher organic acid content, and therefore, even though they may cost more, are not as satisfactory nor as efficient in their insulating property as the produce manufactured with China wood oil.

China wood oil, on account of its peculiar properties, makes it possible to manufacture special grades of heat resisting paints for stacks and other such uses, in which large amounts of menhaden fish oil are mixed with the China wood oil. Thereby China wood oil affords a large outlet for the menhaden fish oil produced exclusively by the American fisheries.

FOREIGN PRODUCTION.

China: The Chinese wood-oil tree is grown chiefly on the heavy clay hillsides and waste places along the Yangtze River above Hankow, China, from which port the oil is principally exported. The tree commences to bear fruit when from four to five years old. The fruits are the size of small apples and contain from two to eight large oil seeds. The yield of nuts in China is reported to be from 80 to 75 pounds per tree. The oil yield is about 40 per cent of the weight of the kernels. The native methods of production are crude.

The oil is shipped to Hankow in its crude state from the native mills in paper-lined baskets. At Hankow the oil is tested by the dealers of various nations located there and shipped in barrels, casks, or in bulk to the United States or Europe. The largest handlers of this oil in China is an American firm.

Japan: A tree closely related botanically to that which grows in China is found in Japan, but the production in Japan is small and unimportant.

AMERICAN INVESTMENTS IN CHINA.

American merchants have invested large amounts of capital at Hankow, and recently additional American capital has been invested at Hongkong in storage tanks and transportation facilities for handling China wood oil. To complete the facilities necessary, American concerns in this business have been obliged to install suitable tanks, cooping and recovering stations in Seattle, Tacoma, Portland (Oreg.), San Francisco, and New York, in order to properly handle the China wood oil as it arrives by steamer at these American ports.

American capital, placing dependence upon the long-established principles of the free entry of raw materials into the United States, has thus provided the plants and equipment in China and in the United States whereby this valuable raw material is made available to our great paint and varnish industry on an economic basis, which enables them to obtain nearly the entire supply in competition with the European paint and varnish industries.

WORLD TRADE IN CHINA WOOD OIL.

TABLE 1.—Exports of Chinese nut oil (wood oil), in pounds, from China, fiscal years 1913-1918.

Exported to—	1913	1914	1915
Hongkong.....	3,793,439	4,849,745	4,549,753
Great Britain.....	3,845,371	5,158,471	5,983,596
Belgium.....	2,583,961	2,127,250	.....
United States.....	41,498,429	23,463,513	23,798,747
Germany.....	4,883,345	5,567,461	.....
Netherlands.....	2,079,496	2,089,328	.....
All other.....	2,260,944	2,256,075	2,156,080
Total.....	61,818,055	68,005,868	41,378,166

Exported to—	1916	1917	1918
Hongkong.....	8,095,064	8,318,192	17,079,573
Great Britain.....	1,510,896	2,610,468	3,953,901
Japan.....	3,754,373	123,597	2,295,009
United States (including Hawaii).....	53,961,984	40,173,129	32,057,332
All other.....	1,363,099	2,288,076	9,792,822
Total.....	63,688,016	53,513,462	65,178,637

TABLE 2.—Chinese nut oil (wood oil) imported into the United States.

Fiscal years.	Quantity.	Value.	Fiscal years.	Quantity.	Value.
	<i>Pounds.</i>			<i>Pounds.</i>	
1906.....	12,161,299	\$689,912	1915.....	37,099,281	\$1,649,277
1909.....	13,228,960	519,596	1916.....	38,926,353	1,977,823
1910.....	19,547,510	846,695	1917.....	53,643,354	4,046,132
1911.....	45,763,190	2,204,016	1918.....	37,784,828	4,088,074
1912.....	37,735,334	2,373,153	1919.....	48,722,394	7,248,052
1913.....	47,041,665	2,738,000	1920.....	83,257,847	12,736,431
1914.....	38,225,116	1,960,426	1921.....	34,737,251	4,817,982

From the above tables it will be seen that the United States has been the largest buyer of China wood oil, and in the American paint and varnish industry the manufacture of important kinds of paints and varnishes has been built up in reliance upon free access to this important raw material.

ADVERSE EFFECT OF A TARIFF ON CHINA WOOD OIL.

(a) Any tariff on China wood oil would result in diverting a large portion of the production in China to the industrial nations of Europe.

(b) A tariff would thereby render American investments in the China wood oil business in China almost valueless, with consequent loss to American investors.

(c) A tariff would, on account of the diversion of China wood oil to Europe, render the investments in tanking stations in the United States valueless, with consequent loss to American investors. Under our present emergency tariff law, which imposes duties on other foreign vegetable oils produced in the Orient, it has already been demonstrated that the American industries could not compete in the purchases of these raw materials, and as in the case of soya-bean oil the industrial nations of Europe have secured entire control of the supply in the Orient, and millions of dollars of American capital invested in docks, storage plants, and tank cars are lying idle, due to the ill-advised imposition of the emergency tariff, all of which has resulted in no benefit to the American producer of vegetable oils who, on account of having a surplus of the kinds produced in the United States, must continue to sell at international prices.

(d) A tariff collected on the reduced volume of imports of China wood oil would produce no appreciable amount of revenue for the Government.

(e) The American paint and varnish industry, through losing a large portion of its supplies to the same industries of Europe, would be forced to revert in a large measure

to the production of such grades of paints and varnish as could be made from the reduced variety of raw materials available.

(f) To the reduced extent that China wood oil could be purchased in competition with the industries of Europe the American paint and varnish manufacturers would be obliged to increase the price of their finished products to the American consumer.

(g) The American paint and varnish industry is dependent upon a flexible supply of raw materials at international prices. If forced to purchase raw materials such as China wood oil at international prices plus a duty imposed by a tariff, it can not sell its finished products at prices that will permit or encourage exports and must confine itself to domestic trade at prices to the American consumer in which any duty would have to be included and paid by the American consumer.

(h) A tariff would afford no protection to American producers as there is no China wood oil produced in the United States. The United States Tariff Commission, in its Tariff Information Surveys on the articles in paragraphs 44 and 45 of the act of 1913, page 52, states "There is, therefore, no special tariff problem connected with Chinese and Japanese tung oils."

(i) A duty on China wood oil would so increase its cost as to practically forbid its use in many cheap products the production cost of which can not be raised without greatly curtailing consumption.

(j) As China wood oil is a vehicle by which large amounts of American rosin, fish oils, and other products are carried into manufactured goods a tariff on China wood oil would greatly restrict the use of these other American products.

(k) To divert the movement of China wood oil from China to the industrial countries of Europe would not only result in depriving the American paint and varnish industry of this valuable supply of raw material to the advantage of the industries of Europe, but it would result in establishing for the competing nations of Europe a medium of exchange amounting to \$6,000,000 annually, whereby China would purchase from the countries of Europe manufactured goods of every description instead of purchasing them from the United States. Where China sells her raw products she must buy her manufactured goods. To destroy this valuable source of raw material for the American paint and varnish industry and to thereby destroy the relative opportunity for the sale of American manufactured goods would be absurd.

THE AMERICAN PAINT AND VARNISH INDUSTRY.

The following statistics concerning the American paint and varnish industry from the Bureau of the Census show clearly that this immense industry is dependent on tremendous supplies of raw materials, much of which is not produced in the United States and for which no domestic substitutes are available.

That the immense business of this industry can not be sustained or its further growth be promoted with tariffs on its necessary foreign raw materials is plainly apparent. To place the industry upon a basis of raw materials costing more than their international value would restrict the industry to domestic proportions, depriving it of all opportunity to export its products in competition with the same industry of European countries, and even at home high prices to domestic consumers caused by tariffs on raw materials must restrict domestic consumption.

TABLE 3.—Summary of the industries for the years 1919 and 1914.

[From the Census Bureau.]

Divisions.	1919		1914	
	Number of establishments.	Value of products.	Number of establishments.	Value of products.
Paint industry.....	601	\$236, 714, 300	595	\$146, 173, 660
Varnish industry.....	229	63, 632, 400	215	32, 715, 000
Subsidiary products.....	56	41, 696, 300	57	2, 648, 700
Total.....	886	\$342, 043, 000	867	191, 537, 360

The large number of establishments, as given by the Bureau of the Census, shows plainly that a healthy state of competition exists among American manufacturers of paints and varnish, thereby affording every assurance that competition prevents American paint or varnish manufacturers from exacting any unfair or unreasonable

profits in the sale of his goods to the public, and thereby it is apparent that all savings effected by the free importation of raw materials, like China wood oil, accrues to the public and does not serve to swell the manufacturer's profits, although such ability to secure free raw materials does enable the manufacturer to sell a greater volume of his paints and varnishes at home and to participate in export trade in competition with the paint and varnish manufacturers of other industrial countries.

REBUTTAL.

Referring to the brief presented to your honorable committee on August 17, 1921, by the Crude Cottonseed Oil Tariff Committee of Atlanta, Ga., which has been made a part of the record of your hearings on tariff revision and printed in part 18, pertaining to Schedule 1—Chemicals, Oils, and Paints, in which brief, appearing on page 1143 of the record, is the petition of this crude cottonseed oil committee for a duty of 5 cents per pound on Chinese nut oil or China wood oil, we beg to call your attention to the following:

Owing to the peculiar qualities of China wood oil, as heretofore described, it has no relation whatever to any of those vegetable oils, such as cottonseed oil, olive oil, palm oil, sesame oil, coconut oil, or soya-bean oil. Neither do the finished products made from these foreign oils, principally soap, etc., bear any relation to the products made from China wood oil, paint, and varnish.

It is so plainly apparent that the crude cottonseed oil committee in its ignorance assumed that China wood oil was a menace to the cottonseed and peanuts of the South, whereas those possessing ordinary common knowledge of vegetable oils know that China wood oil is in no way related to these other oils nor in no way is China wood oil involved in the tariff problem pertaining to these other vegetable oils.

CONCLUSION.

In view of the report of the United States tariff commission bearing out our contentions as set forth herein and in view of the fact that Congress has in the enactment of three previous tariff acts placed China wood oil on the free list, and, further, in view of the fact that the Ways and Means Committee, in drafting the pending tariff bill, H. R. 7456, retained China wood oil on the free list, we respectfully urge that your honorable committee retain China wood oil on the free list, as now contained in paragraph 1626 of H. R. 7456.

(Submitted by: The National Varnish Manufacturers' Association; Standard Varnish Works, New York City; Murphy Varnish Co., Newark, N. J.; Valentine & Co., New York City; Berry Bros., Detroit, Mich.; Glidden Co., Cleveland, Ohio; Sherwin-Williams Co., Cleveland, Ohio; Louisville Varnish Co., Louisville, Ky.; Boston Varnish Co., Boston, Mass.)

PETROLEUM.

[Paragraph 1627.]

STATEMENT OF HON. JOHN W. HARRELD, UNITED STATES SENATOR FROM OKLAHOMA.

Senator HARRELD. Gentlemen, the Ways and Means Committee reported to the lower House a provision in favor of a tariff on oil. The House, however, saw fit to vote down that provision. Senator Curtis gave notice that he would offer an amendment in the Senate, and that amendment is before you, as I understand it.

On August 23 of this year I made a speech upon the floor of the Senate which sets out my views largely in this matter. I am not going to repeat those views this morning, but I should like to have that speech incorporated in these hearings, if you have no objection.

Senator McCUMBER. That will be done.

(The speech of Senator Harreld is as follows:)

THE OIL INDUSTRY AND PROPOSED TARIFF ON CRUDE PETROLEUM AND ITS PRODUCTS.

Mr. President, it is not my purpose to discuss the emergency tariff bill at this time, but rather to address myself for a brief time to a consideration of the amendment proposed by the senior Senator from Kansas [Mr. Curtis] regarding a tariff upon crude petroleum, and, as a preliminary, I ask unanimous consent to offer a resolution, which I ask to have read and referred to the Committee on Commerce.

The PRESIDING OFFICER. The Senator from Oklahoma asks unanimous consent for the reading of the resolution. Without objection, the Secretary will read as requested.

The reading clerk read the resolution (S. Res. 138), as follows:

- "Whereas it has been charged by the independent oil producers of the United States that there is a monopoly controlling the production of crude petroleum, the refining of same, and the marketing of its products, and that said monopoly is manipulating the markets thereof in such way as to force into bankruptcy the 21,000 independent producers in the United States in order that it may buy up their properties and thus further monopolize the industry; and
- "Whereas it is charged by the independent producers that in order to bring about this condition the said monopoly is dumping upon the markets of this country such quantities of Mexican output of crude petroleum which it controls as will break the markets of the independent producers and in violation of the antidumping act, thus bringing about a destruction of the independent oil producers; and
- "Whereas it is charged that a conspiracy exists between certain persons, companies, and corporations to bring about this condition in violation of the laws of the United States and in furtherance of their undertaking to create a monopoly in oil products with the intent and purpose of destroying the independent oil producers, gaining control of their properties, and thus creating a monopoly of the markets for crude petroleum products; and
- "Whereas it is charged that in furtherance of this conspiracy large sums of money have been borrowed from the Federal reserve banks of the United States by the persons, companies, and corporations involved in this conspiracy to monopolize the industry which is to be used in purchasing producing properties, refineries, controlling interests in stock holdings, and pipe lines of such independent producers, thus enabling them to control the output, transportation, refining, and marketing of crude oil and its products: Therefore be it

Resolved, That the Federal Trade Commission be, and hereby is, authorized and directed to investigate and report to the Senate its findings of fact on the following questions, to wit: First, does a monopoly or monopolies exist having for their purpose or purposes the acquiring of the pipe lines, producing properties, and refineries which are connected with the petroleum industry in order to create a monopoly? Second, does there exist a conspiracy among persons, companies, or corporations to acquire control of the producing properties, pipe lines, and refineries of the independent producers of crude petroleum and to control prices of crude petroleum and its products? Third, if such monopoly or conspiracy exists, what persons, companies, or corporations are engaged in the effort to create such a monopoly? Fourth, to what extent have the pipe lines used in the transportation of crude oil and controlling the price of crude petroleum and its products been acquired, owned, held, and controlled by such persons, firms, or corporations as are engaged in the effort to monopolize the industry? Fifth, does the importation of crude petroleum and its products from Mexico into the United States affect the production, refining, and marketing of the independent producers of the United States? If so to what extent? Sixth, to what extent has the group of oil producers known as the Standard Oil group, the Royal Dutch Shell group, and the Doheny group of oil producers borrowed from the Federal reserve banks of the United States funds with which to purchase oil-producing properties, pipe lines, and refineries, and to what extent have they made such purchase during the current year of 1921, and to what extent have they accumulated funds from other sources for that purpose? Seventh, to what extent have the pipe line companies acquired control of producing properties and of production, giving names of pipe line companies and their holdings? Eighth—

Resolved further, That said Federal Trade Commission report to this body the result of its investigations not later than December 15, 1921."

Mr. HARRELD. Mr. President, I ask that the resolution be referred to the Committee on Commerce.

The PRESIDING OFFICER. Without objection, it will be so referred.

Mr. HARRELD. Mr. President, as I said a while ago, it is my purpose to discuss for a few moments the resolution which I have just had read and the proposed amend-

ment of the senior Senator from Kansas [Mr. Curtis] to the general tariff bill now pending. I am impelled to do this at this time by reason of the fact that the air is full of propaganda, false propaganda, having for its purpose the defeat of any proposition to place a tariff upon crude petroleum or its products. I am impelled to do it because certain people high in administrative affairs have seen fit to take it upon themselves to advise against the imposition of a tariff upon crude petroleum and its products. I think it is because they do not understand the subject.

The oil business is a peculiar business. Only a very small area of the country is engaged in the production of oil, and while there are some 21,000 people engaged in it they occupy a very small proportion of the United States in their operations, and only those people who are connected with it are familiar with its technicalities or are familiar with the facts pertaining to it. For seven years I was an independent producer myself, and I believe I am in a position to speak for them with some authority.

My purpose in addressing the Senate at this time is in the hope that I shall be able to give to the Senate some information which will lead to a fair consideration and a fair determination of the question of whether or not these 21,000 independent oil producers should be protected by the laws of the country from importations of oil from foreign countries.

Mr. HARRISON. Mr. President—

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Mississippi?

Mr. HARROLD. I yield.

Mr. HARRISON. May I ask the Senator this question: I have seen something in the paper to the effect that there was a letter written by the President to the chairman of the Ways and Means Committee of the House on the proposition which the Senator is about to discuss. Was I correctly informed about that?

Mr. HARROLD. I will state, as a matter of fact, that the Ways and Means Committee reported out the general tariff bill with a provision in it providing for a tariff on crude petroleum and its products. It was defeated on the floor of the House and therefore the bill comes to the Senate without that provision in it. The Senator from Kansas [Mr. Curtis], however, has offered an amendment or has given notice that he will offer an amendment providing for the inclusion in the general tariff bill when it comes to the Senate of a schedule covering crude petroleum and its products. I understand that perhaps a letter of that kind was written by the President and that it perhaps had its effect on the House. It is that effect I am trying to remove from the minds of the Senators.

Mr. President, there is a confusion of terms in the minds of the people of the country. Generally speaking, people understand, when one speaks of an oil producer, that a Standard Oil producer is meant. The people do not generally understand that the independent producer is one thing and the monopolistic oil producer is another thing. There is a confusion of the terms. I am standing here to-day to speak a word for the independent oil producer, the man who is a pioneer in the oil business just as our forefathers were pioneers in the opening up of our country. He is the man in whose behalf I am lifting my voice, the man who goes out into the undeveloped sections of the country, risks his all in putting down a well, and brings in an oil pool or does not, as the case may be. He is the man who stabilizes the price of oil in this country. A warfare has been going on for 50 years between him and the monopolistic class.

I desire to say that the ground over which they fought has been the scene of tragedies no less important than the tragedies that were enacted in the World War; but they come again, reinforced by others, and it is for that class of oil producers that I want to lift my voice to-day.

Mr. KING. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. Jones of Washington in the chair). Does the Senator from Oklahoma yield to the Senator from Utah?

Mr. HARROLD. I yield.

Mr. KING. I hope the Senator will discuss during the course of his argument the charge made that the independents, of whom the Senator has been speaking, have often collaborated with the Standard Oil Co. and its subsidiary corporations; that they have interlocked, and instead of stabilizing prices have strengthened and perpetuated a monopoly which the Standard Oil Co. and its subsidiaries, it is alleged, have maintained in the United States. Let me say I express no opinion as to the truth of these charges, but refer to them only that the Senator may, if he cares to, give his views in relation to the same.

Mr. HARROLD. I will say in answer to the Senator from Utah that in that case they cease to be independent producers and become a part of the monopoly. That is frequently done. I have in mind now a company which bids fair to compete with

the Standard Oil Co., but recently the Standard Oil Co. has acquired a majority of the stock of that company, and of course has swallowed it. Then it ceased to be an independent producer. That, however, is not the class of producers I am upholding or speaking about here.

President Harding said in his recent message to Congress:

"I believe in the protection of American industry and it is our purpose to prosper America first. The privileges of the American market to the foreign producer are offered too cheaply to-day and the effect upon much of our productivity is the destruction of our self-reliance, which is the foundation of the independence and good fortune of our people. Moreover, imports should pay their share of our cost of Government."

Why should this not apply to oil as well as other American products? A tariff on crude petroleum is warranted under any tariff theory that has yet been advanced. It is warranted by the Republican tariff theory of a tariff for protection of home industries against the cheap production of foreign competition. It is warranted under the Democratic theory of a tariff for revenue only, inasmuch as oil production for the last few years has been bearing a great portion of the cost of the Government, both State and National, and will continue to do so if not destroyed by foreign competition. It is warranted by the so-called progressive theory of a tariff which favors a tariff equal to the difference in the cost of producing a commodity in this country and in a foreign country, which takes into consideration the price of labor in producing the finished product as well as in producing the raw material.

The 200 wells in Mexico produce on the average 500 times as much crude per well as the average of the 300,000 wells in America.

The Mexican wells average 2,630 barrels a day, while the wells in the United States average less than 5 barrels a day. It is estimated that the 200 wells in Mexico represent an investment of \$12,000,000, while the 300,000 wells in America represent an investment of \$2,000,000,000. To illustrate, how could an American farmer raising wheat at an average production of 20 bushels per acre compete with a Mexican farmer if it were possible for Mexican lands to produce 10,000 bushels of wheat per acre? And yet that is exactly the condition to-day in the oil business between the two countries. The farmer would be clamoring for a tariff on wheat. He would be entitled to it and would get it because he is powerful enough to demand it, but the limited number of persons engaged in the oil business and the limited amount of area of this Government producing oil, not being so powerful in governmental affairs, must necessarily appeal to the intelligence and fair-mindedness of those who know nothing about the business, and that is what we are attempting to do by this statement of fact. This comparison is not complete without calling your attention to another fact. The farmer, under the condition stated, might quit raising wheat, he might plant his acreage in other crops, which would not have such features of competition. Not so with the oil man. His wells produce oil and nothing but oil. He, with his well averaging 5 barrels per day, must compete with the Mexican producer whose wells produce 2,600 barrels per day, or else he has the alternative of closing his wells, which means the absolute destruction thereof. Two hundred thousand of the 300,000 wells in the United States produce less than 2 barrels per day, and at present prices are being pumped at a loss. They must necessarily be shut in. Yet these 200,000 wells—strippers, so-called—produce the greater part of the high-grade oil; oil with high gasoline content. They also produce what is known as casing-head gas, which is necessary to mix with the ordinary gasoline content to make the best grade of gasoline. Only strippers produce this casing-head gas in any great degree, and the closing in of these 200,000 wells means to practically destroy the production of casing-head gas, thus reducing materially the output of gasoline. Ordinary gasoline extracted from crude must be more densely refined or else must have the mixture of casing-head gas to give it point. The man who argues that a tariff on crude would increase price of gasoline does not understand the technical nature of the manufacture of gasoline and the use of casing-head gas in that manufacture or he would not make the assertion.

It is estimated that there are over 21,000 producers of crude oil in this country, while in Mexico there are less than 25 producers. There are eight corporations in Mexico which export 80 per cent of the oil exported from that country into the United States. To fail to enact a tariff on crude petroleum would, therefore, be favoring the 25 to the exclusion of 21,000. Among these 25 producers in Mexico are several who are largely interested in production in the United States. One Edward Lawrence Doheny, of California, recent statistics show, produced in 1920 nearly 18 per cent of all oils imported into this country from Mexico. This is the same Doheny who is one of the largest producers in California. The production in California, like the production in Mexico, is controlled by only a few persons. There are only five integrated companies producing oil in California.

The Federal Trade Commission, in its report of April 7, 1921, states:

"All branches of the petroleum industry on the Pacific coast, i. e., crude petroleum production, pipe-line transportation, and refining and marketing, are dominated by a few large interests which control most of the proven oil lands and operate nearly all the pipe line and refining equipment."

It also states that—

"The earnings of the five large integrated companies—namely, the Standard Oil Co. (California), the Union Oil Co. of California, the Associated Oil Co., the Shell Co. of California, and the General Petroleum Corporation—which are engaged in crude petroleum production, pipe-line transportation, refining and marketing of gasoline, fuel oil, and other petroleum products, and which are the dominating factors in this industry on the Pacific coast, were generally low in 1914 and 1915, but they all show either very good or very high rates of earnings in 1918 and the first half of 1919."

Again, quoting from the report:

"Every branch of the petroleum industry from the ownership of oil lands to the distribution of refined products is controlled by a few large interests. In the ownership of oil lands and the production of crude petroleum there are seven large interests, namely, the Union Oil Co. of California, the Associated Oil Co., Southern Pacific interests, the Standard Oil Co. (California), the Shell Co. of California, the General Petroleum Corporation, the Doheny companies, and the Santa Fe Railway."

I call the attention of the Senate to this matter because I want to show that practically the same companies that are controlling the products of oil in California also control the output of oil in Mexico.

Is it strange, then, that there has been no reduction in prices in California during the slump in mid-continent crude from \$3.50, January 1, 1921, to \$1 at the present time, while California crude has declined only nominally, selling for \$1.85 per barrel at the present time, and the same quality of oil in Oklahoma for 60 cents?

I will show the reason for that as I go along.

This Mexican crude is not coming in contact with the production of the Pacific coast in very large quantities; therefore, while the prices have fallen in mid-continent fields more than 70 per cent prices in California have fallen very slightly. One reason for this is that while there was imported from Mexico during the month of May, 1921, 9,000,000 barrels of oil, only 367,000 barrels of this went to the Pacific coast. Perhaps it is because the largest producers in California, Mr. Doheny and others, are also large producers in Mexico and see to it that these importations do not come in contact with their production in California. This is the same Doheny who recently opened an office in London, England, thus Anglicizing his company, and, it is reported from good authority, sold to the English Government a large interest in his holdings in Mexico, and whose integrated companies produce more than 80 per cent of the crude produced in California and more than 18 per cent of that produced in Mexico.

Mr. KING: Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Oklahoma yield further to the Senator from Utah?

Mr. HARRELD. I yield.

Mr. KING: I hope the Senator is not making an argument in support of what I conceive to be a policy at variance with the recommendations of some of the ablest statesmen of our country, that Americans should, in the effort to prevent other nations monopolizing the world supply of oil, make reasonable and honest attempts to secure oil fields not only for American consumption but for world commerce. The Senator knows that the Senate has discussed at considerable length the action of Great Britain in trying to secure oil fields in Mesopotamia, southern Russia, Rumania, and other countries. The Senator certainly can not be opposed to Mr. Doheny and other Americans acquiring oil holdings in Mexico or in any other land, if they may do so in a legal and proper manner and in accordance with the laws of the countries into which they may go.

Mr. HARRELD. Not at all; I am in favor of the Standard Oil group, the Doheny group, or any other group going anywhere in the world they may desire in order to produce oil. What I am inveighing against is the turning over of the markets of this country to those interests to the detriment of the 21,000 people who are engaged in producing oil at home, and helping them to maintain the same kind of a monopoly in the Mid-Continent field and the Appalachian field that they have now in the California field and in the Mexican field. I expect to show before I get through that it would not be conducive to low prices to do that thing. That is the reason I am addressing myself to these figures.

As to this man Doheny, let it be granted that he is an American citizen and that we ought to encourage him to go into foreign countries; but why does Mr. Doheny go over to England and Anglicize his company, and then come back to the United States and

demand that this country give to a company that is organized in England the American markets for its products? I desire to call attention to the fact that if Mr. Doheny is going to become an American producer, then we will throw around him more protection than we would accord him after he has gone and Anglicized his holdings and his company. Let me read what Moody's Manual for 1921 says:

"BRITISH MEXICAN PETROLEUM CO. (LTD.)"

"According to Moody's Manual for 1920, page 3118, this company was organized in England in July, 1919, with a nominal capital of £3,000,000, of which £2,000,000 was issued, one-half being subscribed for by the Pan American Petroleum & Transport Co. and one-half by British interests, the latter including Lord Pirrie, who is chairman of the company; William Weir, of the firm of Andrew Weir & Co.; Sir Thomas Royden, deputy chairman of the Cunard Steamship Co.; Sir Peter McClelland, of Duncan, Fox & Co.; Sir James T. Currie, a director of the United Baltic Corporation; J. R. Morton, and L. P. Sheldon, of Blair & Co., London."

In addition to the foregoing, the Wall Street Journal of July 22, 1919, contains the following concerning the organizers and directors of the company:

"The organizers and directors of the company are Lord Pirrie, William Weir, Sir Thomas Royden, Sir Peter McClelland, Sir James T. Currie, J. R. Morton, E. L. Doheny, H. G. Wylie, E. L. Doheny, jr., J. M. Danniger, Elisha Walker, and L. P. Sheldon. Sir Alexander McGuire and W. A. White will act as alternates for the American directors residing outside Great Britain."

It shows that this man whom some people seem to be so anxious to protect in his Mexican holdings is no longer operating as an American. He is no longer entitled to the protection that the administration seems to try to throw around American producers, because he has made his company a foreign company. The same man who has a monopoly on the production in California and in Mexico has now Anglicized his company, and yet he comes to this Government and has got a great many of the people of this Government believing that he ought to be protected in his interests in Mexico, notwithstanding the fact that he has to a certain extent Anglicized his company.

Mr. KING. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Utah?

Mr. HARRIS. Yes.

Mr. KING. If I understand the trend of the Senator's argument, I should think that he would be glad for Mr. Doheny or for any American to form a corporation with English or French or other interests in order to find markets for the oil produced by them in Mexico. This would make the competition with independent producers of whom the Senator speaks much less. And the Senator is considering the effect upon the oil producers of the United States of foreign competition. I express no opinion as to the wisdom or propriety of Mr. Doheny's acts, as described by the Senator. That matter, if important, can be considered later. However, I am not advised of any legal obstacle to the course of Mr. Doheny.

Mr. HARRIS. What I am addressing myself to is this: The President of the United States, in his communication to Mr. Fordney, chairman of the Ways and Means Committee, said that a tariff on oil would interfere with his "larger policy"—I will come to that in a moment—and what was that "larger policy"? To encourage American producers to go into foreign countries and acquire production and produce oil; but I am calling attention to the fact that, instead of encouraging American producers to do it, he is encouraging English companies to do it and encouraging Dutch companies to do it, instead of carrying out the "larger policy" he spoke of in his letter to Chairman Fordney.

Now, listen:

The Royal Dutch Shell Co., 60 per cent of whose stock is held by English people, is the biggest producer in Mexico. The Standard group is the next biggest producer in Mexico, and the Doheny group is the third biggest producer in Mexico, and the three of them produce over 80 per cent of the oil that is produced in Mexico; so that the "larger policy" which the President speaks of when he writes to Mr. Fordney is being carried on to protect what? To protect companies that are really foreign companies, and not Americans, in the production of oil in Mexico. That is what I am addressing myself to.

Mr. KING. Mr. President, if the Senator will still pardon me, the basis of the Senator's argument, or his thesis, as he outlined it in the beginning, is that there ought to be a tariff to protect the American producer against importations from other lands. I merely suggested that if Mr. Doheny or any other American acquired oil lands in Mexico and Anglicized them, or connected themselves with corporations in other

countries, and exported their oils from Mexico to those countries instead of the United States, it ought to please the Senator.

Mr. HANNULO. I am perfectly willing for them to do that. What I am objecting to is that the markets of this country have been turned over to a man who assumes to be an American citizen, or rather whose company assumes to be an American company, when it is really an English company.

Mr. KING. I hope the Senator does not mean to challenge the citizenship or the patriotism of Mr. Doheny.

Mr. HANNULO. Not at all.

Mr. KING. I have the pleasure of knowing Mr. Doheny; there is no better citizen nor more patriotic American under the flag than Mr. Doheny.

Mr. HANNULO. Not Mr. Doheny personally—no. I am speaking about the seven integrated companies of which he is a stockholder and director.

President Harding, in his letter to Chairman Fordney of the Ways and Means Committee, voiced his opposition to a tariff, basing his opposition upon the statement that a tariff would be out of harmony with the "larger policy" which he had in mind, namely, to encourage American producers to enter foreign fields for the production of oil for the "future needs not alone of our domestic commerce, but in meeting the needs of our Navy and our merchant marine." I agree with him that it is the proper policy to encourage American producers to develop foreign fields, but I fail to see how a tariff on Mexican crude would very materially interfere or conflict with this "larger policy" he lays down. If to give over to Mr. Doheny and his Anglicized oil company the markets of this country, thus destroying the independent producers of this country, is what is meant by his "larger policy," then I fail to see where that policy is either equitable or right. If to give 25 companies operating in Mexico, including the Dutch Shell Co., 60 per cent of which company's stock is held by England, the Standard Oil and the Doheny companies full charge of the markets of this country; if to encourage the 25 producers in Mexico to the destruction of 300,000 producers in the United States is what he means by his "larger policy," then I am not in favor of that policy. No one objects to permitting imports of crude petroleum from Mexico in sufficient quantities to make up the difference between the production in the United States and the consumption in the United States, which, up to December last, was quite considerable; but I desire to call your attention to the fact that since December, when the Government itself was predicting that there was going to be a shortage in the oil, there has been a vast increase in the production of oil in Mexico; there has also been an increase in production within the United States during that time; so that while it is true that as late as November and December of 1920 the production of the United States was not equal to the consumption, it is equally true that since that time the production in the United States has become about equal to the consumption. This was brought about by the producers of the United States speeding up production at the instance and request of the Government. They were induced to do this by the Government in the face of the fact that oil supplies were high in price, the high cost of labor, and the general high cost of development. They were trying to meet what they understood to be an urgent need of increasing the supply of oil. They met that call like patriots, only to find no market for the increased production at high rates of cost. This condition was brought about by the extraordinary increase in production in Mexico during the same period, Mexican production having increased over 200 per cent. Many of them incurred indebtedness in this effort to comply with the request of the Government. They are now unable to pay these debts. The result is that many of them are going into the hands of receivers, being sold under the hammer to pay the debts thus contracted, only to be bought up by the same group of companies, including the Standard and other companies operating in Mexico, and the oil business of this country is gradually passing into the hands of these few mighty companies, and soon the same condition will exist in the Mid-Continent field that now exists in California and Mexico. We do not believe it wise to advocate any policy that brings about this result.

The 21,000 independent producers of this country produce about 81 per cent of the oil. The larger companies, including the Standard companies, are not producers of oil; they are purchasers and refiners of oil. They produce less than 20 per cent of the oil produced in the United States. When once these large companies get control of the oil production of this country we will then be at their mercy; and who is it that believes that gasoline will sell for a reasonable price, as it is selling at the present time? The 21,000 independent producers stabilize the market value of crude petroleum products. To them is due the credit for 20-cent gasoline. When once they are eliminated I make the prophecy that 40-cent gasoline will be the rule.

Just as a protective tariff on woolen goods is warranted, not so much because prices are thus reduced, but because we want to encourage the manufacture of woolen goods

in this country in order to prevent foreign countries from getting a monopoly upon the manufacture of woolen goods, so is the tariff on oil warranted to keep the oil output from becoming monopolized.

One of the main arguments in favor of any tariff is that we desire to encourage the production of a commodity in this country to prevent foreign competition from obtaining a monopoly of that product. History proves the wisdom of this course, because when once a monopoly is established it is not conducive to low prices. A tariff on crude petroleum is therefore justified. Even though it does prevent, as the advocates of free trade in oil urge, the lowering of prices at the present, it is justified because it prevents the increases of prices when once the production of oil passes into the hands of the monopolists who now control the fields of California and Mexico. It is for the general good in the future that we demand that these 21,000 independent producers be protected in their markets, thus protecting them from extinction and the passage of their properties into the hands of the monopolists.

The administration seems to think that a tariff on oil would be a discrimination against other nations. Why should this administration fear that a tariff on oil would interfere with its "larger policy"? For 70 years the United States has furnished 70 per cent of the total output of crude petroleum. We have not been selfish in the handling of that product. Foreigners and foreign corporations have been allowed to come into our territory and produce this oil, using our markets and receiving the same protection that our native citizens and corporations have received.

Other nations do not seem to fear discriminating against the United States. Only on March 10, 1920, this Senate adopted a resolution requesting the President to furnish information concerning discriminations of other nations against United States oil producers; and the presidential report in compliance with said request, dated June 13, 1921, shows that the United States operators are being discriminated against by other countries. Recently rich deposits of oil have been found in the East Indies, in the Provinces of the Netherlands Government, known as the Djambi fields. This report shows, notwithstanding the objections of this Government, that the Netherlands has granted to a home company concessions covering the entire Djambi field, thus shutting out the American producers from that field, notwithstanding the fact that under our beneficent laws in this country the Royal Dutch Shell Co. has for years and years been one of the biggest producers in this country.

No sooner had large deposits of crude petroleum been found within the boundaries and Provinces of these same foreign countries than they begin a policy of selfish exclusion against the producers of America. This was done by the Netherlands Government over the protest of the Secretary of State, and after full notice that the United States would not consider it a friendly act, and after it had been pointed out by the United States—

"That for years the United States has carried the burden of supplying a large part of the petroleum consumed by other countries, that Dutch capital has had free access to American oil deposits, and that the petroleum resources of no other country have been so heavily drawn upon to meet foreign needs as the petroleum resources of the United States."

It also pointed out that the Americans insisted upon the adoption of the principle of equal opportunity, and even hinted to them that no foreign capital could operate in American public lands unless its Government accorded similar privilege to American citizens.

The Dutch Shell Co., a Netherlands company, has been a heavy producer of oil in the United States for years. I am informed that it is a heavy producer of oil in Mexico. It reaches its tentacles into every oil field of the world, but selfishly preserves its own field for its own use.

I am stating these facts to show that the "larger policy" of this country is not practical; that the ideal dream that the fields of other countries will be opened to us just as our fields have always been opened to others is not a reality, and never will be a reality. I want to show to you that already the policy of discrimination has been begun by almost every country in the world against the producers of the United States, and that we alone are the ones who are standing, insisting upon this "larger policy" that the President speaks about.

In this connection I call your attention to certain documents from the State Department quoted in the message of the President of the United States to the Senate on June 13, 1921. I quote from a letter written from Van Karnebeek, of the department of economic affairs of the Holland Government, to William Phillips, American minister, The Hague, dated May 10, 1921, in which the Netherlands Government defended its concession of the entire Djambi field to the Netherlands company, stating—

"That in so far as these fields are concerned, the Government of the Queen had already taken a definite decision and had submitted to the States General the project of law having for object the foundation of the Netherlands company (Nederlandsch-Indische, etc.), to which company would be confided the exploitation of the Djambi fields."

In other words, they excused their attempt to discriminate against the American operators by saying that the concession was granted before our State Department had called their attention to it, which is no excuse at all to start with. That is the only reason they gave for it, notwithstanding the American Government said this to them before the act was passed.

To this letter Minister Phillips, for the United States, replied on May 11, calling attention to the fact that he had, on September 7, 1920, and long before the concession was granted, sent to Mr. Van Karnebeek a memorandum in which appeared the following statement:

"The American Government is frank in saying that it believes that the granting to a single company of concessions covering all the best areas of the Dutch East Indies can hardly fail to be construed, whether rightly or wrongly, as a measure of exclusion, and would seem to compromise, at least in that region, the principle of equal opportunity, which it is hoped may be a solution of the future oil problem throughout the world."

and calling attention to the fact that the legislation giving this monopoly to the Netherlands company was not introduced or proposed until November 3, 1920, two months after the protest by Mr. Phillips, for the State Department of the United States.

This discrimination is not confined to the Netherlands. Other countries are discriminating against the United States. That is how "the larger policy" is working in other countries. It is resulting in other countries discriminating against the United States producers and forbidding them to have holdings or enter in, and it does not apply only to the Netherlands Government. Listen to this:

Even Great Britain for a time required that an oil-mining lease or license should be granted only to a person who is a British subject or a company or firm controlled by British subjects. I suppose that is the reason why Mr. Doheny felt that he must Anglicize his company. When their attention was called to this provision by the Secretary of State, the Government of England replied by saying that it was only a war-time regulation; yet they have not withdrawn the regulation in question, and its colonies and Provinces still continue to discriminate against the producers of the United States. I quote from the report of the Federal Trade Commission to the House of Representatives of date June 1, 1920:

"The British Empire, which among foreign nations appears to be taking the lead in foreign development of the oil industry, has apparently entered upon a policy to bring about the exclusion of aliens from development of the petroleum supply of the Empire, and at the same time endeavoring to secure some measure of control of oil properties in countries outside the Empire. According to the State Department's report, this policy appears to be developing along the following lines, which are directly or indirectly restrictive on the citizens of the United States:

"1. By debarring foreigners and foreign nationals from owning or operating oil-producing properties in the British Isles, colonies, and protectorates.

"2. By directing participation in ownership and control of petroleum companies.

"3. By arrangements to prevent British oil companies from selling their properties to foreign owned or controlled companies.

"4. By orders in council that prohibit the transfer of shares in British oil companies to other than British subjects or nationals."

"This general policy is accentuated by drastic specific laws relating to mining and petroleum prospecting in Australia, British East Africa, British West Africa, India, and other portions of the British possessions.

"For instance, in British Honduras all mines of mineral oil are reserved to the Crown. In British Guiana the only restrictions on mining concessions discriminating against aliens are in connection with concessions for mineral oil rights. American oil companies are expressly excluded from doing business in Burma. None but British subjects are reported to be entitled to such rights. The same restrictions hold with regard to the transfer of mineral oil rights and property to aliens. In Canada the general British policy as to petroleum rights has not been reflected in the specific regulations enacted in other portions of the British Empire. But on March 1, 1920, the Canadian order in the council made effective the following regulation:

"Any company acquiring by assignment or otherwise a lease under the provisions of these regulations shall be a company registered or licensed in Canada and having its principal place of business within His Majesty's Dominion."

"Territories under occupancy by Great Britain: German East Africa—In Germany East Africa, now under British occupancy, all prospecting for minerals in this territory is at present forbidden by proclamation dated July 7, 1917.

"Palestine: In Palestine where large petroleum fields are believed to exist, all restricting regulations covering the exploitation of mineral oils which were in existence prior to the time of occupation by the British Army remain in force.

"Persia: Citizens of the United States are generally excluded from petroleum development in Persia where the Anglo-Persian Oil Co. has exclusive petroleum rights, granted May 28, 1901, for a period of 60 years."

Australia, a British Province, in 1913, issued an ordinance as follows:

"A foreign company shall not directly or indirectly be capable of acquiring or holding a mineral-oil lease or any interest therein, whether legal or equitable."

The British West African colonies, many of them, have similar provisions. Nigeria, for instance, in an ordinance of 1914, limits the granting of leases and licenses to British subjects or companies; and, so, while the English Government itself denies any intention of discriminating against American producers, its colonies, one by one, are adopting provisions which preclude the American producer from operating in English territory.

Newfoundland, for instance, has given to the Anglo-Persian Oil Co. an exclusive concession for the prospecting of oil within its territory for five years, and undertakes not to grant any mineral areas to other parties during that period.

India will grant oil-mining leases or prospecting licenses only to British subjects or companies or firms "shown to the satisfaction of the local government to be controlled by British subjects."

I quote further from the report of the Federal Trade Commission to the House of Representatives of June 1, 1920, as follows:

"In the Dutch East Indies prospecting licenses and concessions are granted only to Dutch subjects inhabitants of the Netherlands or the Netherlands East Indies and to companies incorporated under the laws either of the Netherlands or of the Netherlands East Indies, having in their board of directors a majority of Dutch subjects. Large areas in this territory have been reserved for State exploration and American companies have for years, without success, endeavored to secure leases in this field. On the Sumatran east coast a number of companies are drilling for oil with reported success. All of these companies are said to be controlled by Dutch interests.

"FRANCE.

"The French Government uses wide discretionary powers in the granting of mineral-oil concessions and under this discretion discriminatory action is possible. No mineral-oil concessions appear to have been granted in France, although there are many encouraging indications. In the French colonial possessions of northern Africa several projects are in the course of development. The State Department's report says:

"It is probable that the French policy is to regard all applications for concessions in the light of the public interest, which was reflected by an act of September 9, 1919, providing for complete nationalization of all mineral resources. It is not clear whether petroleum would come within the scope of this act or be covered by special legislation. There is reason to believe that the policy mentioned above would find expression in a restriction on development by aliens, at least to the extent that concessions would not be granted to alien groups unless they form a part of a French joint-stock company, of which two-thirds of the directors should be French citizens."

"JAPAN.

"In Japan five oil fields, sufficient for the use of the Japanese Navy, are held by the Navy Department. Article 5 of the Japan mining law, promulgated in 1905, reads as follows:

"No persons other than subjects of the Empire, or juridical persons duly formed in accordance with the laws thereof, are entitled to acquire mining rights."

"Commenting on this law, the State Department's report says:

"The meaning of "juridical persons" in the Japanese law is such that it is believed to be practically impossible for foreign countries to retain or transfer undisputed possession of mining rights in Japan."

These excerpts from the Trade Commission's reports show that these discriminations against our producers have been practiced in almost all the countries of the world.

Great Britain, when her attention was called to it, ceased, as a Government, trying to discriminate against American producers, but her colonies have constantly gone on discriminating against the producers of the United States.

Mr. KING. Mr. President, will the Senator permit an inquiry?

Mr. HARRELD. Yes.

Mr. KING. Does that discrimination extend to the purchase of our products or to the prevention of Americans from acquiring oil lands in those countries which the Senator states discriminate against us?

Mr. HARRELD. I have not investigated as to the discrimination against our products, except to this extent: Almost all these countries have imposed a tariff on oil that is shipped from this country into those countries. Even if you ship oil into Mexico they lay a duty on the finished product.

Mr. KING. The Senator knows that the tariff imposed in Mexico is a general one, applicable to all countries, and it is claimed that it is levied for the purpose of raising revenue. We assign the same reason for the duties imposed by Congress, namely, for the purpose of raising revenue to run the Government. But it is not a discrimination by Mexico. She merely seizes upon oil as a legitimate subject to levy tariff duties upon, the same as we seize upon many articles as legitimate commodities upon which to levy tariff duties.

Mr. HARRELD. Answering the Senator's question, I have not investigated further than to convince myself that almost every colony of Great Britain has passed laws forbidding the acquiring of leases of oil holdings within their boundaries by foreigners. I know they have discriminated to that extent, and I have the records here to show that.

Mr. KING. The Senator knows we passed a law many years ago, and we have maintained it ever since, by which aliens may not acquire title to public lands of the United States and may not locate them.

Mr. HARRELD. Yes; but those laws did not apply particularly to petroleum.

Mr. KING. If the Senator will pardon me, no alien can go upon the public domain and locate under the placer or under any other law any oil land.

Mr. HARRELD. That is true as to the public lands.

Mr. KING. The Federal Government may not go into the States and determine the policies of the States, or the disposition which States will make of their own lands; but the Government itself, from the beginning, has set its seal of disapproval upon the acquisition of public lands by aliens.

Mr. HARRELD. That is true; but what I am talking of here is this, that the President has promulgated his "larger policy," as he calls it, which has for its purpose the encouragement of the American producer to go into other countries and into other fields and into other lands and produce oil. He says this tariff would interfere with that larger policy. But the point I am making is that these other countries, whose nationals have come here and enjoy the privilege of producing oil in this country, including the Dutch Shell Co., which is one of the biggest producers in the United States, are not in sympathy with that larger policy which the President has promulgated. I am citing that to show that he is seeking to put into effect a policy with which the foreign countries are not in sympathy. That was the purpose of my referring to it.

Mexico has attempted to exclude from the development of its oil properties the American producer, as shown by extracts from certain documents of the State Department, which follow:

"In Mexico, under the constitution promulgated in 1917, only Mexicans by birth or naturalization and Mexican companies have the right to acquire ownership in the lands or waters of Mexico, or to obtain concessions to develop mines, waters, or mineral fuels in that country. The nation may grant the same right to foreigners, provided they agree to be considered Mexicans in respect to such property, and accordingly not to invoke the protection of their Governments in respect to the same, under penalty in case of breach of forfeiture to the nation of property so acquired."

That touches the point raised by the Senator from Utah (Mr. King). The Mexican Government insists that these questions are questions to be determined by the courts of Mexico.

So while the United States is engaged in promulgating its "larger policy" other countries, as soon as oil is discovered, take immediate steps to see that its supply of oil is preserved and conserved for the use and benefit of the respective Government, forgetting the equality of treatment that has been accorded to all nations in the exploitation of American oil fields. Is it not time to begin a series of retaliatory measures, or shall we, in the language of the present Postmaster General, "take punishment lying down?" Would not a tariff such as is proposed be a proper retali-

atory measure, serving notice upon the world that we expect equality of treatment in the development of the oil production, and that if we do not get it we will protect the production at home in the future? America up to date has furnished 70 per cent of all the oil that has been produced in the world. In 1918 it produced 69 per cent of all the oil produced in the world. If we are to be precluded from sharing in the production of oil in other countries, is it not time that we began to conserve the production of our country? And the best way to preserve that production is to preserve our markets for the home producer by the imposition of a tariff such as that proposed.

Several of these foreign countries levy a tariff on gasoline and refined oils shipped into their respective countries. For instance, at this very time, crude oil is being shipped from Mexico into this country duty free, yet if a refiner of this country attempted to ship his refined oils into Mexico, we will say through El Paso or through Laredo, he comes up against a tariff and a tax by the Mexican Government which shuts him out. Last year large cargoes of gasoline were imported into this country from Rumanian oil fields duty free, but if any American manufacturer sought to enter the markets of Rumania in competition with Rumanian oil he would be confronted with a tariff wall he could not climb.

The President, in his letter to Chairman Fordney, said:

"I can not refrain from expressing the hope that your committee will take note of the foreign policy, to which we are already committed, under which the Government is doing every consistent thing to encourage the participation of Americans in the development of oil resources in many foreign lands."

I fail to see, however, any inconsistency in this "foreign policy" and the imposition of a protective tariff to protect our home markets. A physician once advised a lady patient who was single that what she needed was contentment of mind and recommended marriage as a remedy. The lady in question promptly responded by saying to the physician, "Doctor, you are single, are you not?" The doctor hastened to reply, "Yes, madam; but it is the business of a physician to prescribe and not to furnish the medicine." It is the business of this Government to encourage American producers in foreign countries, but it is not our business to furnish a market to them for their production when to do so utterly destroys the market so much needed by the local producer. As against all other foreign producers, I am for the American producer anywhere the world over.

I am even for the Standard Oil Co., which has done so much to stifle and destroy the efforts of the independent producer. But as between the Standard Oil Co. and the monopolistic class to which it belongs, and the independent producer at home, I am unequivocally on the side of the independent producer. I have been an oil producer for seven years. I have felt the grinding heel of the subsidiaries of the Standard Oil Co.; I know of their tactics when they have the opportunity; I am thoroughly convinced that when once they have obtained control of the markets of the United States, gasoline and other products of oil will not be cheaper than they are at the present time. In fact, knowing their tactics as I do, I am firmly convinced that they are using the Mexican flush production to do what the law has somewhat curbed them from doing in recent years. They are deliberately, in my judgment, filling up their empty tanks with Mexican oil at a cheap price to bring about a total collapse of the oil business within the United States, thus causing bankruptcy and demoralization among the independent producers, forcing upon the market at ridiculously small prices the producing properties of the independent producers who are not able to stem the tide, and that they will gradually acquire these properties at a forced sale, thus acquiring control of the production in the United States just as they now control the Mexican production and the California production. In fact, I have it on good authority that the various subsidiaries of the Standard Oil Co. have recently negotiated immense loans and with the funds are buying up properties in the fields of the mid-continent, thus taking advantage of a condition which they themselves are bringing about by the wholesale importation of Mexican crude into the United States. This is only a continuation of the tactics which they practiced for years before the Congress of the United States passed laws which curbed them in their rapacity.

The President uses this language:

"The oil industry is so important to our country and our future is so utterly dependent upon an abundance of petroleum that I think it is vastly more important that we develop an abundance of resources rather than temporary profit to a few producers who feel the pinch of Mexican competition."

It seems to me that what we need is not to develop an abundance of resources or an abundance of petroleum but rather to conserve the oil supply. It is better to preserve the supply of petroleum in the earth and bring it forth as the needs of the country demand. It would be well for American interests to acquire holdings in oil territory of foreign countries, but I take issue with him in his position that it should be pro-

duced in an abundance. It would be better if when oil is discovered and territory is substantially proven if that oil could be held in the reservoirs of the earth and brought forth only as needed. Of course, we can not force the conservation of oil in foreign countries except to cut them off from our markets, and, to my mind, the production of oil in the immense quantities such as is now being produced in Mexico at the rate of 200,000,000 barrels per year, is anything else but the following of a policy of conservation. If geologists are right and there is only a limited supply of oil in the earth, would it not be the wise policy, as nearly as possible, to conserve that supply and bring it forth as the needs of the world require. There is only one way by which we can force a conservation of the Mexican supply, and that is by shutting them off from our market, which is the greatest oil market in the world.

There is used in the United States 60 per cent of the total refined products from crude petroleum. To deny to the Mexican producer the use of this market except as to that part of it which we are unable to supply from our own production, would be advisable as a means of conservation of the world's supply. The other 40 per cent of the world's trade in petroleum products would be open to their use and because of the fact that they can produce crude oil so much cheaper than it can be produced in the United States they would have under those conditions, and have now, a virtual monopoly upon this other 40 per cent of the markets of the world. It would be easier for the eight large producers in Mexico to refrain from further development and invoke this policy of conservation than it would be for the 300,000 operators in the United States who are competing with each other in the drilling of offset wells and must of necessity compete with each other in drilling in order to insure themselves their proportional part of the oil deposits in any given area. The man who holds large concessions like those held in Mexico is not so much troubled about preventing his neighbor from drawing from the earth an unfair proportion of the deposit. He is protected against that by his large holdings, while the owner of a small tract must protect himself against encroachments of his neighbors.

At the present time they not only have a monopoly of the markets of the United States but of the entire world. The other markets of the world outside the markets of the United States would enable the Mexican producers to make a handsome profit upon their investments and at the same time conserve the world's supply for future use. The profits that they could make, even when denied the markets of the United States, would be sufficient to satisfy the appetite of those less insatiable than the few big monopolistic companies who control the Mexican production. To my mind, therefore, it appears that the imposition of a tariff on imports of crude petroleum would in no wise interfere with the "large policy" of the President. Eight corporations export 80 per cent of the oil exported from Mexico into the United States. Shall we protect these eight corporations in their avarice or shall we emphasize that our policy is America first by protecting the independent producers of the United States from extermination? That is the question. The argument has been made that this importation of Mexican crude oil enables the Navy and the Shipping Board to procure cheap fuel. This argument falls flat when you consider that the tariff levied upon that part of the Mexican crude which the Government sees fit to purchase could be purchased free of the duty or the duty could by law be remitted, and thus each of the arguments which are presented against this tariff can be met.

The real facts are that the same group of eight companies that control 80 per cent of the output of crude in Mexico buy about 50 per cent of the crude oil produced in this country, and what they desire to do is to play both ends against the middle, using the Mexican crude to hammer the prices in this country. It is not their sincere wish to give the Government oil at a bargain. Admiral Benson recently said that it required 30,000,000 barrels of fuel oil for the Navy in 1920, and estimated that it would require 40,000,000 barrels in 1921. This 40,000,000 barrels could be bought free of the duty or the Government could buy this 40,000,000 barrels of oil and pay the duty thereon readily, because it would immediately go back into the Treasury of the United States, thus reducing the cost to the Government to the basis of the price before the duty was levied. I dare say that the Navy of the United States is paying more now for their fuel under contracts which have been in existence for some time than they would have to pay under a policy of this kind when those contracts have expired.

The effect of a refusal to protect our markets by a tariff will be to turn that market over to a few American citizens in partnership with foreign citizens operating in Mexico, and whereas we rely upon the producers of the United States largely for our revenue to cover the expenses of Government we are turning those markets over to men and companies, many of whom pay no part of their profits in revenue to the

United States, and indeed are likely to become a charge upon that revenue, because from an actual study of the controversy between the Mexican Government and the foreign producers of Mexico I find that there are legal difficulties involved which will result in years of litigation, continual friction, and perhaps war with Mexico. While it is true that it is the duty of the American Government to protect the property rights of its citizens in foreign countries so long as those Americans abide by the just laws and regulations of that foreign Government, yet it is questionable whether the foreign operators in Mexico are doing that thing; that is, it is doubtful if they are giving the proper respect to the laws and ordinances of that Government. I would use the full strength of the Government to protect American citizens in their rights in foreign countries, but not one cent of treasure or blood would I favor using to protect them in their wrongful evasion of the legally prescribed laws and ordinances, and that sometimes becomes a question for the courts to determine rather than a question to be settled by the arbitrament of the sword. So that the questions now pending for settlement in Mexico, now the subject of diplomatic correspondence between this country and Mexico, may become a question to be settled by the courts or it may become a question to be settled by force of arms. In either case the chances are that this Government will be put to great expense to protect the American citizens in their rights in the courts or in the conflict.

In this connection I quote from an article of which President Obregon, of Mexico, was the author, printed in the New York World about June 26:

"DECLARES MEXICO'S TAXATION FAIR TO NATIVE AND FOREIGNER ALIKE.

"Coming to the question of taxation. It is a fundamental principle of the law of nations that the taxation policy of a country is that country's own peculiar domestic concern. The only proper ground for diplomatic intervention is when the tax discriminates in favor of a native and against the foreigner or in favor of one foreign nation as against another with which the country is on an equally friendly footing, or when the tax is so excessive as to threaten confiscation of the property itself.

"This fundamental principle, however, is thrust to one side when Mexico is concerned. Habitual protests and interference force the conviction that the investors of more powerful nations have the idea that we should submit our taxation plans to them for approval and that no tax should be imposed that does not receive their unanimous approval.

"I will not attempt to conceal the bitterness that this course has aroused in Mexico, but out of our sincere desire for peace and amity we have frequently swallowed effrontery and smothered indignation. Considering this taxation question in detail, let me state that just as the constitution of Mexico forbids tax exemption so does it forbid tax discrimination. Every Federal tax is applied with absolute equality to natives and foreigners alike. As a matter of fact, almost all of our Federal taxes are indirect, and therefore no attempt to evade the constitution could possibly be successful.

"TAX INCREASES NECESSARY.

"As for recent tax increases, the necessity should be clear to all. Every country in the world has had to increase its taxes in order to meet increased expenses. In addition, Mexico is facing delinquent obligations that must be met. The increase in petroleum taxes, for instance, is for specific application to our foreign debt. To this purpose and this purpose alone the entire proceeds of the tax will be devoted.

"I stated this object clearly in the decree that established the tax and there will be no departure from it. To call the tax confiscatory, as the petroleum group is doing, is absurd. When the tax rates of other countries are considered, especially those of the United States, the charge is additional evidence of the rapacity of the group, for even while earning enormous dividends out of the oil taken from Mexican wells, it is still unwilling for Mexico to receive even an appreciable share of its natural wealth as an aid in meeting the just demands of the holders of our foreign obligations.

"It is these dividends that give the best answer to the cry of confiscatory taxation. The net profits of the Mexican Petroleum Co. in 1920, after deducting depreciation and taxes, were \$9,773,898. Its interlocked associate, the Pan-American Petroleum & Transport Co., declared net profits of \$12,987,752 in 1920 after deducting interest charges, taxes, and contingencies. The British-Mexican Petroleum Co., another rich subsidiary formed in order to avoid the scandal of lumped earnings, showed a profit of \$5,000,000 in 1920.

"PUMPED \$28,000,000 IN PROFITS.

"It will thus be seen that the Doheny group pumped close to \$28,000,000 in net profits out of the soil of Mexico in the single year of 1920, and yet it was with this enormous sum in their pockets that this group flooded the United States with the false cry that the tax policy of the Mexican Government was crushing and ruinous, and to-day, while they are filling the press with page advertisements of protest against confiscatory taxation and appealing to the Government of the United States for action of some sort, Mr. Doheny is cheerfully assuring his stockholders that the first quarter of 1921, after deducting taxes and depreciation, will show an increase of 225 per cent in net profits over the first quarter of 1920.

"NO ANTI-AMERICANISM EXISTS.

"Permit me, in conclusion, to consider the question of Mexico's anti-Americanism. I deny absolutely that any such feeling exists. To be sure, for many years in our schools our history dealt bitterly with the Texas revolt and with the War of 1846. Such a course, however, is not peculiar to Mexico. The care of every country is its vainglorious or malicious presentation of historical facts.

"One of the first things that the revolution did was to call in every school history that taught the youth of our country to hate the United States and Spain.

"To-day it is the case that the people of Mexico regard the overwhelming mass of Americans as friends eager to see a sister Republic attain peace and prosperity. Certain evil groups persist—groups willing to invite the horrors of a fratricidal war—in order to increase their dividends, but here in Mexico we have the hope and belief that these groups will soon be exposed and discredited in Mexico's scheme of development. We hope and expect that the United States will play an important part. It is not only that we are neighbors and that our trade relations are mutually necessary and profitable. There is more to it than that. What is it after all that makes people alike? Not blood as ties of common belief, not bonds of race so much as bonds of similar thought.

"HAVE SIMILAR ASPIRATIONS.

"The people of Mexico and the people of the United States have the same aspirations, the same ideals, the same goals. Nothing could be more unhappy, more unfortunate, than failure to pursue our common destiny hand in hand, shoulder to shoulder. The Government of Mexico is keenly sensible of this and is determined to spare no effort nor neglect any opportunity to do its full share toward bringing about a proper understanding between the people of the country and those of the United States.

"Refusal to do certain things which have been asked of us has been mistakenly attributed to anti-American feeling. Nothing is further from the truth. There are certain things which a country may not do without surrender of sovereignty and self-respect. There are certain constitutional limits to the power of the President of Mexico, but short of these impossibilities there is nothing that we will not do to forge stronger bonds between the two Republics, although justice often is forced to wait on patience.

"We have full faith in the outcome. Our confidence in the high and proved idealism of the United States fills us with the conviction of a future pregnant with bright promise, of complete understanding, and invincible amity."

I wonder if the American people desire to see the oil industry of this country pass into the hands of such rapacious individuals as those who are referred to in President Obregon's statement.

The thing I am inveighing against is the unrighteousness of delivering to these few men, who are likely to become a charge upon the revenues of the Government, the markets that justly belong to the American producer, for the American producer who produces oil within the confines of our own dominion. The question is, Shall we preserve these markets for the man who produces revenue for the Government, or for the man who is a charge upon the revenue of the Government? As for me, I believe in America first; American markets for Americans. Again quoting the President: "I believe in the protection of American industry and it is our purpose to prosper America first."

If at any time the supply in the United States is less than the demand in the United States, then it would be right to allow importation to the extent of that shortage. But when the supply is equal to the demand, as it is at the present, I believe the market should be preserved for the American producer. Last year all of the oil imported into this country, except about 1,000 barrels, came from Mexico, so that while

the proposed tariff is general and applies to all nations, Mexico would be the only country that would be affected by it.

In 1908 oil was put upon the free list. At that time only an inconsiderable quantity of oil was being imported into this country and the lawmakers then rightly decided that it was not necessary to have a tariff. Neither was it necessary until about one year ago.

Prior to 1908 there had been what was known as the countervailing duty on petroleum and its products. In other words, the duty on petroleum and its products entering this country was the same as the duty imposed by that country from which it was exported. This was repealed in 1908, notwithstanding the fact that Mexico was even then charging a duty upon petroleum and its products entering that country. It was repealed because the oil imported into this country at that time was negligible.

Conditions have changed. Before repealing this countervailing duty in 1908 the United States Senate committee which had charge of the matter, in order to familiarize itself with the potential possibilities of production in Mexico, sent Willard C. Hayes, chief geologist of the United States, into Mexico to make an examination and report. In his report he stated—and I will ask Senators to listen to this, for it shows the kind of propaganda that was used then and enables one to form an idea of the kind of propaganda that is being used now—

"While these fields promise to yield a large quantity of crude oil, the quality is such that it can not compete under present conditions in the markets of the United States or Europe with the high-grade petroleum of the Appalachian, Illinois, or mid-continent fields. Further, the conditions are such that the demand for fuel and refined products in Mexico exceed the supply available at present or in sight in the near future. There is practically no coal in Mexico, and the railroads are now depending upon Texas, Oklahoma, and English coal, which consumes several times the present production of oil if it were generally adopted as fuel."

After events prove that Mr. Hayes was not a very successful prognosticator, but it served to induce the Senate to put oil on the free list at that time. Mr. Hayes soon after resigned his position with the United States Geological Survey and entered the employ of S. Pearson & Son, then the largest holders of potential producing territory in Mexico, and now one of the greatest producers of crude in Mexico, and remained with this company until his death. Mexican crude shipped into the United States in 1920 was nearly twice as large as in 1918, and more oil was shipped into the United States from Mexico in the last half of 1920 than was shipped during the whole of the year 1919 by 14,500,000 barrels, and imports from Mexico for the first five months of 1921 exceeded the imports for the first five months of 1920 by 25,000,000 barrels. All these imports for the first five months of 1921 were from Mexico except 1,038 barrels, which came from other countries. (See Report of G. B. Richardson, U. S. Geological Survey.)

A similar kind of propaganda was started a few days ago. A statement is being circulated that the State geologist of the great State of Ohio has given out a report to the effect that the entire supply of Mexican oil would be exhausted in two years. I do not believe the State geologist of Ohio ever made such a statement as that, but that is the kind of propaganda that is being sent out. It is all fours with the report which was made by Mr. Hayes, the United States geologist who went to Mexico to make a report and came back with a job.

If the producers of Mexico are not satisfied with such profits as they have been able to make, as set out in this statement of President Obregon, which profit the Federal Trade Commission report shows to have been more last year on a \$12,000,000 investment in Mexico than was realized by the producers of the United States on an investment of \$1,780,000,000; if they must needs complain because Mexico imposes a tax upon them, which shows conclusively that they are not satisfied with the profits they have made, would it be wise for this Government to play into the hands of a bunch of monopolists who are so insatiable? Could we expect anything else except that later when they get control they would impose upon the people of the United States higher prices for these commodities? Is it wise to play into the hands of a bunch of monopolists who are out for the coin and are not satisfied to pay reasonable tax to the Government out of their enormous profits? Does it show that they are inclined to be philanthropists?

Another proof that the control of oil production in a few hands is unwise is that the few companies controlling the production, refining, and marketing of crude oil and its products in California in 1919 made a net average profit, according to reports of the Federal Trade Commission, of 26 per cent, some as high as 32 per cent, while the independent refiners of the Mid-Continent field made only an average of 8.3 per cent. This was because the refiners in California are also producers, and produce their own crude, while many of the refiners in the Mid-Continent were compelled to buy their

production and pay a premium for same above that which the Standard Oil Co. was paying in the same field.

The point I am making, though, is this: If the producers who control the California fields and who are practically the same producers who control the Mexican output, can be trusted to keep the price of gasoline at a reasonably low level, why did not they reduce the price of gasoline at their California refineries and be willing to take a less percentage of profit? You can only judge what a man will do by what he has done. If this same bunch of producers who have a monopoly in California and Mexico would continue and make a profit of 25 or 30 per cent without reducing the price of their product, can they be trusted to keep the price of gasoline down when they have obtained a monopoly of the oil business both in Mexico and in the United States?

You may say that if the independent producers of the United States can not compete with producers in Mexico that that is their misfortune—and so it is if by destroying their business you will not create a monopoly; but the reason that American producers can not compete with Mexican producers is that the Mexican wells produce five hundred and thirty times as much on an average as the average well in the United States. The Mexican well does not have to be pumped, while wells in the United States soon become pumpers after they are brought in. It costs 11 cents per barrel to produce oil in Mexico, while in the United States it costs \$1.56 per barrel, including interest on the money invested in each case. All the wells in the United States average less than 5 barrels per day, and there are 150,000 wells in the United States which average less than one-half barrel per day, yet these small wells produce the bulk of the gasoline.

The Mexican crude only produces about 9 per cent of gasoline; California crude only about 9 to 15 per cent; while the Mid-Continent crude produces about 36 per cent, and the small wells in the Appalachian Mountains produce as high as 70 per cent. In other words, the small wells under 2 barrels per day in 1920 produced 40 per cent of all the gasoline produced in the United States, and there are 200,000 such wells in the United States, and while last year Mexican importations amounted to 106,000,000 barrels, it would take twice that amount of importations of Mexican crude, with its 9 per cent content, to supply the deficiency in gasoline caused by the shutting down of the 200,000 small wells referred to above. This will give you an idea of the importance of protecting and preserving the small wells in the United States, because unless you do so we will not only be confronted with high prices in gasoline but we will be confronted with a famine in gasoline.

There is one other phase of this question that I want to call your attention to. It is estimated that there are now 4,500,000 men out of work in the United States. Two hundred and forty-two thousand of these are coal miners. Two hundred thousand of them are oil-field workers. A tariff on oil would revive business in the oil fields and in the mining districts of the United States. The coal miners are directly interested because this cheap oil from Mexico reduces the demand for mine-run coal, with which it comes in competition. When the mine owners can not sell their mine-run coal the entire cost of mining must be borne by the nut coal or lump coal, which, of course, increases the price of the coal which you and I use in our homes. It also curtails the amount of coal which the mines can put forth and is largely responsible for the idleness of the 242,000 men mentioned. Is it not worth while to consider the interests of these workmen? Has it not been the boast that that was one of the effects of the protective tariff, that it preserved for the American workman his job and a reasonable salary for the work performed? From that standpoint, also, a tariff on oil is warranted, and in this connection I call attention to the fact that while in April, 1920, there was produced in the United States 40,000,000 tons of coal, in April, 1921, only 29,000,000 tons of coal were produced. This will give you an idea of the effects the importation of cheap Mexican crude into this country is having upon the mining industry. I am not so much interested in the mining companies as I am in the multitude of workmen who are thus thrown out of employment and for whose benefits a tariff law is primarily intended.

Then there is another element that should be considered in considering the losses that would be suffered, and that is the farmers of the country, especially in those counties where there is a suspicion that oil sand exists. There is hardly a county in the United States that has not had or possibly will have an oil boom, resulting in enabling the farmers to lease their farms for oil at a rental sometimes in excess of the value of the farm for agricultural purposes. To destroy the independent producer means to put a stop to this source of revenue for the farmer. These leases would all be allowed to lapse and the farmers would lose the annual rental thereof.

The group of monopolistic companies, such as the Standard Oil Co., have never been wildcaters. They content themselves with waiting until some daring inde-

pendent producer has gone afield and has taken the risk of putting down a wildcat well, only to rush in when the wildcatter has struck oil and grab up such properties as their geologists conclude to be desirable, often obtaining control of the entire pool of oil discovered before others become aware of its value.

If they are unable to do this, they do another thing which is more reprehensible—that is, they build a pipe line into the field, thus giving them a monopoly upon the markets (because no other company will then build a pipe line), and force the producer to take in many cases less than one-third of the real value of the oil, and by false claims of not having storage capacity or that the gas content is negligible or that it is no good because it contains sulphur or other noxious substances, so reduce the price as to hamper and embarrass the independent producers in that particular field, finally forcing them to sell at nominal prices, and in that way become the owners of the production of this particular field.

Heretofore this has been the practice of the monopolists. The law, however, has in a measure been so changed as to make them afraid to go as far with those sort of practices as they once did. They are now put to it to try other experiments to bring about the same results, and it is a credit to their ingenuity to see the effective way which they have found. They now control the fields of Mexico. They can take the oil out of the ground there in small quantities or large, as they see fit. They can import it into the United States in such quantities as to destroy the independent producers of the United States, as they are doing now, until such time as it suits their purposes to increase the price of crude, thereby furnishing excuse for selling gasoline and other products at high prices. They will then quit importing oil into the United States until such time as they can work off their surplus products at enormous prices, only to begin again heavy importations into the United States when it suits their purpose to do so. Of all the cunning devices that the oil monopoly has ever invented it seems to me this is the most cunning. It puts them outside the pale of the law of the United States. There is no international law governing this matter, and can be none. So that there is no way by which the independent producer can be protected, except by the proposed tariff which we are asking for, and I predict that unless this protection is given that we will within the next few years have a series of large importations from Mexico followed by small importations for another period and a corresponding manipulation of the prices of crude and of the products of crude. And so the question resolves into this: Shall the United States play into the hands of the few Mexican producers, 65 per cent of whom are Americans, or will they protect the interests of the 21,000 Americans who constitute the great body of independent producers?

LETTER OF HERBERT G. WYLIE, REPRESENTING PAN-AMERICAN PETROLEUM & TRANSPORT CO., IN REPLY TO SPEECH OF HON. JOHN W. HARRELD.

AUGUST 27, 1921.

HON. JOHN W. HARRELD,
United States Senate, Washington, D. C.

MY DEAR SIR: I have to-day received and read a copy of your speech on the international aspects of production of oil by Americans, which speech was delivered before the Senate on August 23.

I find in this statement such serious errors in essential facts as to lead me to believe that you have been imposed upon by some individual or individuals who had some ulterior motive in misinforming you.

It is my belief that you would be the first to desire to know of these errors, and that knowing of them you will welcome the opportunity to make such correction thereof as may be necessary in order to avoid grave misapprehensions which otherwise would exist as to Mr. E. L. Doheny and as to the attitude of the companies controlled by him, of which I am vice president and general manager.

I ask your attention to the following facts:

1. From page 5983 of the Record I quote:

"This is the same Doheny who is one of the largest producers in California."

Mr. Doheny is a very small producer in California, having sold out his earlier interests in that State over 20 years ago.

2. "The General Petroleum Corporation, that is, the Doheny Company."

Mr. Doheny is not now and never has been connected with or interested in any way with the General Petroleum Corporation.

3. "Perhaps it is because the largest producers in California, Mr. Doheny and others," etc.

The total production of oil by Mr. Doheny and by all of his companies in which Mr. Doheny is interested in California at the present time is less than 2 per cent of the total production. He is not and has not been for years a large producer in the State of California.

4. "This is the same Doheny who recently opened an office in London, England, thus anglicizing his company.

"The same man who has a monopoly in the production in California and in Mexico has now anglicized his company.

"Why does Mr. Doheny * * * demand that this country give to a company that is organized in England the American market for its products?" (Page 5983. Other similar references are found in other parts of the speech.)

None of the companies producing petroleum in Mexico in which Mr. Doheny is interested are English companies. All but one are American companies, and that one is a Mexican subsidiary. Mr. Doheny and his family have for years personally controlled and still control more than a majority of the stock of these companies. Neither he nor any member of his family have sold any of this stock to any person or corporation in England at any time. None of his companies has ever been anglicized. Less than 1 per cent of the stock of these companies is held by Englishmen.

The British Mexican Petroleum Co., to which you refer, is a selling company, organized in England by the Pan American Petroleum & Transport Co. and certain Englishmen associated for the purpose of opening a wider market in Europe for a part of the petroleum produced in Mexico by these American companies. This British Mexican Petroleum not only does not control or take over any of the assets of the American companies above alluded to, but does not even own any stock in any of these companies, all of which remain, as above stated, in the sole control of the Doheny family; nor does any of the Doheny companies own the British company entirely, the ownership being divided, 50 per cent belonging to the Pan American Petroleum & Transport Co. (the parent Doheny company here) and the balance belonging to the group of English stockholders.

The entire basis upon which the British company was organized was as an instrument for the sale of petroleum produced in Mexico by American companies to England and other parts of Europe.

You are evidently under the impression that there is something improper, or at any rate unusual, in the organization of a company in England under the British laws for the purposes hereinbefore alluded to.

You will, however, find upon investigation that it is not only desirable from a commercial standpoint, but in certain other aspects distinctly advantageous, for American concerns desiring to do business in foreign countries to organize local distributing agencies under the laws of these respective countries. This is precisely what was done in this case and by many other American companies operating under similar conditions in foreign lands.

In this connection may I observe that the organization and operation of this British distributing subsidiary would seem to be clearly in line with what you desire to accomplish, inasmuch as it furnishes a means of selling in England and in Europe oil which otherwise might come to American ports.

5. "This is the same Doheny * * * it is reported from good authority sold to the English Government a large interest in its holdings in Mexico."

Neither Mr. Doheny nor any of his companies has ever sold to the British Government any interest whatsoever in any holdings in Mexico or elsewhere, or stockholdings in any of these companies.

6. "This is the same Doheny whose integrated companies produce more than 80 per cent of the crude produced in California."

As above shown, the California production in which Mr. Doheny is interested, either personally or as a corporate stockholder, is less than 2 per cent of the total production of the State.

7. You also allude, on page 5984, to the supposed result of the "oil business of this country gradually passing into the hands of these few mighty companies."

So far as Mr. Doheny and his companies are concerned, they have never operated in the mid-West, or, as above shown, been interested (except to a small extent) in California, and have not endeavored and are not endeavoring to acquire any oil business developed by the small or independent producers to whom you have referred in your speech.

8. I note that you allude to Mr. Doheny and others as "rapacious individuals" referred to in President Obregon's alleged statement.

The statement to which you refer (which was not written by President Obregon, but by an American journalist) is full of misstatements, which can be easily shown if time permitted. For the moment, I shall content myself by asking that you defer

judgment as to the "rapacity" of Mr. Doheny until you have taken up with some one familiar with the affairs of the Doheny companies the amounts of their investments, the burdens which they have sustained and are sustaining, and the proportion of profits derived therefrom. You will then find that there is no foundation in fact for any such charge.

If you desire any further information upon any of the points above alluded to, or upon any other matters to which your speech refers, it would give me pleasure to assist you to the best of my ability.

In conclusion, may I express my hope and belief that in the light of the foregoing facts you will agree with me that it is just to Mr. Doheny, not only as a man, but because of his patriotic services to this country, to put this letter upon the pages of the Congressional Record, and to give it the same publicity as that which your speech will receive.

This letter is written by me during Mr. Doheny's absence in Mexico.

I am, faithfully, yours,

HERBERT G. WYLIE,

Vice President and General Manager

Pan-American Petroleum & Transport Co., Mexican Petroleum Co.

**STATEMENT OF HARRY H. SMITH, TULSA, OKLA., SECRETARY
MID-CONTINENT OIL AND GAS ASSOCIATION.**

Mr. SMITH, Mr. Chairman and gentlemen of the committee, I desire to read into the record, if I may, a very brief statement of the position of the independent oil producers with regard to the tariff.

The independent oil producers of the United States and allied and dependent business interests request that an import duty be imposed upon petroleum and its refined products. We assert that such a duty is economically advisable and necessary (a) as a conservation measure to preserve for future use and insure against waste the domestic petroleum deposits and (b) to protect the domestic petroleum producing industry with its capital investment of over \$3,000,000,000 and its employment of over 1,000,000 workers.

Among the considerations upon which this request is based are the following:

In so far as this request involves protection for an American industry it is consistent with and agreeable to the fundamental principle of the political party now in power.

With recent readjustments in the cost of production in this country and in Mexico, from whence comes practically all of our import oil, the difference in cost of production at home and abroad is now approximately \$1 per barrel, and it would require a tariff duty of a similar amount in order to afford legitimate protection to the home industry.

During the first six months of 1921, without any decrease in the total volume of petroleum consumed as compared with the same period of 1920, the price of domestic crude oil declined 71 per cent to a level below the cost of production, and remained there until September 28, 1921. During that period many American wells were abandoned and a large number of producers went into bankruptcy. The loss to the industry and to the country was enormous, and was caused primarily by an oversupply of crude oil, resulting from the dumping of cheaply produced Mexican petroleum upon the American market.

Crude oil is now being imported into this country from Mexico at the rate of from 11,000,000 to 12,000,000 barrels per month, or at nearly as great a rate as caused the price decline early in the present year.

Senator SMOOT. Can you tell the committee why it was that the same rate of decline was not had as on the crude oil? I mean by that the relative decline.

Mr. SMITH. I can not tell the committee why there was not the same rate of decline on all petroleum products. We represent merely producers of crude oil, and our market is fixed for us by others, and the large refining interests fix the price of their product. One reason why the price of gasoline did not decline in proportion was that the Mexican oil contains a small proportion of gasoline and the great utilization of Mexican oil at the refineries resulted in an overplus of fuel oil and the lower grades of refined oil, but did not help the supply of gasoline.

This fact so weakens the present price structure in this country as to create a probability of another price recession and a repetition of the demoralization of last spring.

There are approximately 265,000 oil wells in the United States. Two hundred thousand of these produce from a fraction of a barrel to a few barrels per day, or an average of $2\frac{1}{10}$ barrels per well per day. These wells produced 40 per cent of the oil yielded by the United States in 1920, or a total of 178,644,600 barrels, which was 26 per cent of the world's production of crude oil. These wells can not be operated at a profit even at present prices and were all operated at a loss during the recent depression. These wells are in jeopardy and likewise the production from them for the next 10 to 50 years. A protective tariff is necessary to preserve them and their output for the next generation.

A tariff would have the effect of stabilizing the industry as well as the price to the consumer, preventing inordinately high prices in periods of famine or inordinately low prices in periods of feast, with the attendant wasteful consumption.

The granting of this protection will restore employment to many thousands of men now clamoring for work. It will revitalize and stabilize the industry and bring prosperity to the country. It will preserve to the people of the United States thousands of oil wells which would otherwise be abandoned, thus insuring in the future a reasonable and fair price for refined oil. Finally, it would yield to the Government a very substantial revenue.

The probabilities are that many more large deposits of oil will be exploited and developed in Mexico and South America in the next few years and that the oil thus produced will, in the absence of an adequate tariff, be dumped upon the American market in excessive amounts. It is also probable that the countries from which the oil is exported will levy an ever-increasing export duty which, being paid by the exporter, will be collected by him from the American public. We submit, therefore, that if such foreign oil is to reach our consumers burdened with a tax, at least a portion thereof should accrue to the American Government.

In a recent letter President Harding made the following suggestion to Chairman Fordney of the Ways and Means Committee:

Would it not be practicable to provide for such protection in some bargaining provision which may be placed in the hands of the Executive so that we may guard against a levying of duties against us or the imposition by other nations of export tariffs which are designed to hinder the facilities of trade which are essential to our welfare?

If the Finance Committee should see fit to place this suggestion into effect in the form of a countervailing duty, we submit that there should be a reasonable minimum and a provision that the said countervailing duty should equal the combined import and export taxes placed on petroleum by the countries exporting same to the United States. Such countervailing duty, through negotiation by the Executive, would serve the twofold purpose of preventing the levying of exorbitant and unconscionable duties by foreign countries and at the same time secure to the United States an equal amount of revenue.

Without a protective tariff the independent domestic industry is placed at the mercy of large and controlling refining interests, which utilize both foreign and domestic crude oil and which are in a position to discriminate against the domestic supply in favor of the cheaper foreign product and when local depressions have thus been created to absorb the domestic producing properties at a fraction of their value, thus tending to concentrate the oil resources of the United States into the hands of a few with the consequent danger of monopoly and extortionate prices in the future.

Senator McCUMBER. Did I understand you to say that the oil imported from Mexico is not used for gasoline purposes?

Mr. SMITH. Oh, yes, sir. They make gasoline from the better grades of Mexican oil.

Senator McCUMBER. But the principal portion of the imported oil from Mexico is used for other purposes?

Mr. SMITH. The lower grades of oil from Mexico contain only about 3 per cent of gasoline and, as a rule, are not refined.

Senator McCUMBER. What proportion which is not refined, as compared with the proportion which is refined, comes from Mexico?

Mr. SMITH. About two-thirds that comes from Mexico is refined.

Senator McCUMBER. About two-thirds.

Mr. SMITH. Yes, sir. Of that which is refined there is a production of from 12 to 15 per cent gasoline.

Senator SMOOT. What does yours produce?

Mr. SMITH. From 30 per cent to 40 per cent.

Senator McCUMBER. Yours is used for its gasoline content?

Mr. SMITH. It is chiefly valuable for its gasoline content; yes, sir. Though it contains gas oil to the extent of 40 per cent, it also contains the lubricants and the paraffin wax and the various other products.

Senator WATSON. What was the total production in the United States last year?

Mr. SMITH. 443,402,000.

Senator WATSON. How does that compare with 1914 and 1915?

Mr. SMITH. The production in the United States in 1920 was an increase of about 50 per cent over 1914.

Senator WATSON. What was the price for the two periods?

Mr. SMITH. The price of oil in 1914-1915 in the United States was as low as 40 cents a barrel in the mid-continent field, by reason of the great overproduction caused by the Cushing field, the greatest oil field that has ever been opened in the United States. It was opened before the time that automobiles had become so numerous. There was a similar condition then to that which we had last spring, only it was the domestic supply.

Senator WATSON. What is the price now?

Mr. SMITH. \$2 per barrel.

Senator WATSON. What is the amount of importations from Mexico?

Mr. SMITH. The importation from Mexico of crude oil was 106,175,000.

Senator WATSON. Was that an increase?

Mr. SMITH. That was an increase in oil of over 100 per cent over 1919. Fifty-two million barrels were imported in 1919. The first 10 months of this year 98,000,000 barrels were imported. At that rate there will be 123,000,000 barrels imported this year.

Senator WATSON. What is the difference in consumption in the United States this year as compared with two or three years ago?

Mr. SMITH. The consumption in 1920 was about 524,000,000 barrels. That includes exports. It was the greatest year in the history of our country.

Senator WATSON. Do you export twice as much as you import?

Mr. SMITH. No, sir. We exported about 80,000,000 in 1920. The consumption this year will be 4 or 5 per cent greater than it was in 1920.

Senator CURTIS. The consumption this year will almost equal the amount you can produce, will it not?

Mr. SMITH. The domestic production exceeds the domestic consumption but it does not equal domestic consumption plus exports.

Senator CURTIS. But nearly so.

Mr. SMITH. Yes; nearly so.

Senator WATSON. I haven't the figures later than 1918, but in 1918, 1,347,000,000 of gallons were imported and 2,267,000,000 of gallons were exported.

Senator HARRELD. You will have to divide that by 42 to get the barrels.

Senator WATSON. Yes. I am stating it in gallons. I was wondering whether that was the relative proportion.

Mr. SMITH. The total exports for the last two years have been, roughly, 80,000,000 barrels a year.

Senator WATSON. What proportion, Mr. Smith, of all imports of oil comes from Mexico?

Mr. SMITH. Ninety-nine per cent.

Senator WATSON. Practically all of it?

Mr. SMITH. Yes, sir.

Senator HARRELD. What was the relative production and consumption in the United States according to the latest figures you have, Mr. Smith?

Mr. SMITH. The relative production and consumption?

Senator HARRELD. Yes. In other words, are we consuming more or less than we are producing?

Mr. SMITH. Within the borders of the United States we consume less than we produce, but we do not produce quite enough to equal both the domestic consumption and the exports.

Senator WATSON. What are the prospects of production of oil in Mexico? Has the encroachment of salt water in these wells in the Tampico district had any influence on production?

Mr. SMITH. The encroachment of salt water has destroyed a large portion of that area which has given us so much oil in the last few

years, but Mr. Doheny, perhaps the best authority on prospects in Mexico, presented a paper at a meeting of the Petroleum Institute in Chicago this month in which he said that practically every State in Mexico would produce oil; that practically every State had the same indications, the same seepages, as led to the discovery of the present field; and that for the next score of years Mexico would probably be a heavy contributor to the oil production of the world.

Senator McCUMBER. Is that all, Mr. Smith?

Mr. SMITH. If I may, I should like to have a few minutes to devote to the discussion of the first portion of this statement, and then Mr. Gray will conclude. I want to call the attention of the committee to the fact that there is direct competition between the foreign oil imported into the United States and our domestic crude oil produced east of the Rocky Mountains. California is somewhat isolated and has a production and consumption about equal, but east of the Rocky Mountains the main field is the mid-continent field, which produces 56 per cent of the oil of the United States and from 75 to 80 per cent of the oil produced east of the Rocky Mountains. The mid-continent field is connected with the Gulf coast and the Atlantic coast by a series of large pipe lines which convey oils to those ports where it meets directly in competition the oil brought in from Mexico in the tankers of the same large refining interests which buy domestic oil. These purchasing companies are, therefore, in a position to discriminate against the domestic crude oil produced by the independent producers in this country in favor of the imported oil, because the latter is much cheaper. The result is that whenever there is a flood of oil from any foreign country, particularly Mexico, the refining companies, by using it, cause the domestic oil to back up in the lines and go to storage, and the price for domestic oil then goes down, as it did last spring, to below the cost of production.

The oil industry is subject to these violent fluctuations of supply and, therefore, fluctuations in price, and every one of these depressions means a loss of many old wells, the bankruptcy of many independent producers, and it is not good either for the country or for the oil industry.

Briefly, the difference in the cost of production at home and abroad is such as to call for a tariff duty. There are some 265,000 to 270,000 oil wells in the United States, which have an average capacity per day of only 4.9 barrels. That includes gushers as well as small wells.

In Mexico they have about 200 oil wells, with an average production of about 2,500 barrels per day. Mexico produced, for instance, in 1920, 163,000,000 barrels of oil from 184 to 200 wells. That illustrates the difference in the cost of production between this country and Mexico. These wells flow—as a rule, continuously—under their own immense hydrostatic pressure from inception to conclusion. There is no extensive cleaning out or pumping such as attends the operation of oil wells in the United States. They give up their contents freely and quickly, and there is a rate of production per well per day that spells the cost of oil production.

The Mexican Government, in figures issued last June, estimates that Mexican oil can be laid down at Galveston for 56 cents per barrel and at New York for just a few cents more than that. There has been some slight increase in the cost of Mexican oil since then, but that fact illustrates the difference in cost of production.

Senator WATSON. Does that include the Mexican tax?

Mr. SMITH. It did at that time. It does not include the recent addition to it.

Senator WATSON. What is the total now?

Mr. SMITH. The last computation was 39 cents. You understand, of course, that they change it frequently. It was about 39 cents per barrel on the best grade of oil.

Senator McCUMBER. What does it cost to put it down now at the Gulf ports?

Mr. SMITH. Based upon those figures from the Mexican Government and the recent increase in the tax, I should say that it costs about 65 cents a barrel at Galveston.

Senator SMOOT. What do they sell it for?

Mr. SMITH. It is very difficult, Senator, to get the price on Mexican oil, for the reason that so much of it is produced and transported and refined and sold out rapidly in this country, all by the same company or its subsidiaries, but the Mexican oil sold at the wells early this year at 15 cents a barrel for the low grade and 55 cents for the high-grade oil. The latest information I have is that they are getting somewhere near \$1 for the best grade. However, I can not vouch for that.

Senator McCUMBER. What did you receive per barrel in 1914 at the wells in the United States? I am speaking of the wells for which you speak.

Mr. SMITH. The price ranged that year from about 90 cents down to 40 cents, when the overproduction became pronounced.

Senator WATSON. At present and under existing conditions, state as nearly as you can the price at which you can produce oil to make it a profitable proposition.

Mr. SMITH. The answer to that question must have two aspects. Take, for instance, the operator who has a large number of wells and a large number of different properties, some of which are gushers and others are old wells. His average cost to produce all his oil last spring was in the immediate neighborhood of \$1.75 per barrel, excluding any deduction for depreciation. Since that time, however, they have reduced wages somewhat and have laid off a great many men, so that the average cost of producing oil in the mid-continent field to-day ranges somewhere around \$1.40 to \$1.50 per barrel. To produce oil from the old 2-barrel wells, that are producing 40 per cent of the oil in this country and 26 per cent of the world's production, costs \$2 per barrel.

Senator SMOOT. That oil, however, is a great deal better than the Mexican oil?

Mr. SMITH. Yes; it is worth a great deal more.

Senator SMOOT. You get 40 per cent of gasoline out of that oil, while the Mexican oil does not average, I suppose, more than 10 per cent.

Mr. SMITH. The better grade of Mexican oil averages——

Senator SMOOT (interposing). The average, I say.

Mr. SMITH. Yes; not over 10 per cent.

Senator SMOOT. In 1913 we were paying 9.5 cents for gasoline. What were they paying then per barrel for oil? I mean the manufacturers of it.

Mr. SMITH. In 1913 I think the price of oil in Oklahoma was around 85 cents a barrel.

Senator SMOOT. And what is it to-day?

Mr. SMITH. \$2 per barrel.

Just one more consideration, gentlemen, and I shall be through. I wish to refer to the question of conservation.

Senator HARRELD. It has been \$2 for a short time only.

Mr. SMITH. Yes; it has been \$2 for about 45 days. It was \$1 all during the year.

It has been suggested that a tariff on oil might interfere with some foreign policy which has for its aim the establishment of our nationals in foreign oil fields. I do not understand how a reasonable tariff would interfere with the establishment of our nationals in such foreign fields, but from the standpoint of conservation I want to dwell for just a moment upon that aspect of the situation:

With regard to the old wells in the United States, I want to call the attention of the committee to the fact that we have these 200,000 old wells in this country producing on an average a little over 2 barrels per day that can not exist during periods of low prices; that if we maintain free trade in petroleum every time a field is developed in Mexico, Colombia, Venezuela, or South America oil will be dumped upon the American market, for we have the greatest petroleum market in the world, and every time it is dumped upon the American market the price of the domestic oil at the wells is reduced below the cost of production. Every time that occurs thousands of our wells are abandoned, and when once abandoned they can not be reclaimed, because the water, the salt water, encroaches and not only ruins that particular well, but it ruins the oil sands from which that well produces, and so the oil industry is not in a position in this country to slacken up and cap its wells and wait for better prices. Those wells must be used or be forever lost. So you have in this country 200,000 oil wells of this small type producing 2 barrels or less per day, and they constitute the backbone of the production of this country and its high-grade oil. They produced last year 178,000,000 barrels of oil, which was more oil than Mexico produced, more oil than all of the nations of the world combined produced, excluding the United States and Mexico.

The question is, Does this Government want to trade that actual asset, consisting of 26 per cent of the world's oil production, for a problematical advantage hereafter to be developed in some foreign field? The independent producing oil industry owns the majority of these wells. The failure to protect this industry means one of two things—either its extinction through the abandonment of these wells or its absorption by the larger interests in this country.

Senator McLEAN. Mr. Smith, I have been requested by a member of this committee who is not present to-day to ask the proponents of the tariff on crude oil a number of questions. I understand that you are in favor of a tariff on crude oil.

Mr. SMITH. Yes, sir; I am.

Senator McLEAN. I should like to ask you these questions.

Mr. SMITH. Very well, sir.

Senator SMOOT. I wish you would suggest what you are asking for.

Mr. SMITH. In the statement we suggested \$1 per barrel on crude oil.

Senator SMOOT. You stated that that was necessary, but you did not say that was what you wanted.

Mr. SMITH. We will file a proposed schedule.

Senator McLEAN. I want to say to you that I am not familiar with the subject myself and I do not know what bearing these questions may have, but they have been presented to me by a Senator who can not be here, but who is a member of this committee. I want to ask these questions in order that I may get information with regard to several points.

The first question is: Was not the posted price for crude oil in the mid-continent field in June and July, 1921, 90 cents to \$1 per barrel?

Mr. SMITH. Yes, sir.

Senator McLEAN. This statement says that the Mid-Continent Association asks for a tariff of 35 cents per barrel on crude oil.

Mr. SMITH. The Mid-Continent Oil and Gas Association asked for a higher duty. Thirty-five cents was written into the bill by the Ways and Means Committee.

Senator McLEAN. Is not the price now being received for crude in the mid-continent field \$2 per barrel plus a bonus of 25 cents?

Mr. SMITH. The price received for the major production of the oil is \$2 per barrel. Occasionally an independent refiner pays a premium for a better grade of oil of from 15 to 25 cents.

Senator McLEAN. The Federal Trade Commission has reported that the total lifting cost in California is 42 cents per barrel.

Mr. SMITH. That is true. They made that report on California.

Senator HARRELD. That does not apply to the mid-continent field.

Senator McLEAN. If the import of crude and especially fuel oil should be diminished or terminated by a tariff, would railway rates permit delivery from the mid-continent field of any fuel for ships and industries on the Atlantic seaboard?

Mr. SMITH. No; because the present freight rates are too high. But the major portion of the mid-continent oil is delivered by pipe lines at the rate of 87 cents per barrel to the refiners in the East, where the fuel oil is refined and then delivered.

Senator McLEAN. Is not imported fuel oil sold for bunkering ships, now, at \$1.40 per barrel in New York and Norfolk and \$1.70 in Providence and Boston?

Mr. SMITH. I am not familiar with those prices to-day. That is probably approximately correct.

Senator McLEAN. Is not the average freight rate on fuel oil from Oklahoma and Kansas to New York and New England \$2.25 and \$2.30 per barrel?

Mr. SMITH. Yes, sir; and higher than that.

Senator McLEAN. And is it not around \$3 a barrel to Florida points of consumption?

Mr. SMITH. Yes, sir.

Senator McLEAN. Is not 62 per cent of the tonnage of American merchant marine oil burning?

Mr. SMITH. I think that statement is correct. However, I have not examined the reports lately.

Senator McLEAN. Are not 45 per cent of all American boats of over 500 tons oil burners?

Mr. SMITH. I do not know, sir.

Senator McLEAN. How much fuel oil does the American merchant marine consume?

Mr. SMITH. I haven't those figures at hand. I would be glad to supply the committee with them. I can get them in a short time.

Senator HARRELD. You can get them from the department better than anywhere else, Senator.

Senator McLEAN. Do you know that Lloyd's Register reports that 58 per cent of all ships now building are to burn oil?

Mr. SMITH. I think I saw that statement.

Senator McLEAN. Didn't a proponent of a tariff on oil state before the subcommittee on chemicals and oils of the House Ways and Means Committee, in May, 1921, that your organization was "as patriotic as anybody, but would work for an increase in the Mexican export tax on oil"?

Mr. SMITH. I was not present at that hearing, Senator, but our association has not worked for an increase in the Mexican export tax on oil.

Senator McLEAN. Was the Mexican export tax increased thereafter by 20 cents per barrel for crude and 16 cents for fuel oil?

Mr. SMITH. It was increased approximately by those figures, probably without any suggestion from the Mid-Continent Oil and Gas Association.

Senator McLEAN. Does not the Geological Survey report show a falling off from 10,205,000 barrels in June to 3,352,000 in August?

Mr. SMITH. Yes; due to a misunderstanding between the Mexican producers and the Mexican Government. The matter having been adjusted in some way, the imports came back to 13,000,000 barrels in November.

Senator McLEAN. Is it not to be inferred that the higher tariff rates now proposed would practically prohibit the importation of crude and fuel oil from Mexico?

Mr. SMITH. No, sir.

Senator McCUMBER. You think that \$1 a barrel would not accomplish that?

Mr. SMITH. It would not be prohibitive, Senator. There is a very wide margin of profit in refining the Mexican oil. Other witnesses can probably give you more authoritative information than I can.

Senator McCUMBER. Could not the oil be disposed of to greater advantage in other markets of the world than in the United States, considering this duty?

Mr. SMITH. The Mexican oil, according to reports that I have seen, sells for as high as \$4 per barrel in England. If it has been, as reports state, laid down in this country as low as 56 cents a barrel, adding \$1 a barrel would make it \$1.56.

Senator McCUMBER. Why is it sold in the United States and why would it come into the United States at \$1 per barrel duty if they can get for it in England \$4 a barrel without the duty?

Mr. SMITH. The reason for that is that the United States of America, for the past years, has been the great petroleum consuming center of the world. You understand that we produce and consume here 65 per cent of the oil production of the world. In addition to that, we consume nearly all of the Mexican production, so that when you stop to think that the United States and Mexico together produce 90 per cent of the oil of the world and that most of that is consumed here, because Europe is paralyzed, you can readily see why they dump the oil on this market.

Senator McLEAN. These questions are fairly covered by those asked by Senator McCumber, but I shall read them to you.

If the American producers of crude and fuel oil in Mexico were barred out of their market in the United States by a tariff, could they not still sell their product in Europe and South America?

Mr. SMITH. If they were barred I suppose they would.

Senator McLEAN. Would they not, then, be selling to industries in those countries, and to foreign shipping, that are and will be competing against American concerns?

Mr. SMITH. That is true, Senator, but you must remember that a tariff does not prohibit the importation of raw materials into this country to be refined here and exported. The tariff would not interfere with that business.

Senator McLEAN. Would not this result in taking away the advantage of cheap fuel from American industries and ships and handing the advantage over to their competitors?

Mr. SMITH. I think not, sir.

Senator Smoot. Do you think it would be possible with the export duty imposed by Mexico and the duty imposed on Mexican oils coming into the United States at \$1 a barrel, together with the decreased value of Mexican oil as compared with American oil on account of the lesser gasoline content, that they could import that oil into this country?

Mr. SMITH. If the Senator will understand me, our object primarily is to preserve the great American market for the American producers of oil. We have made our investments in this country. We have our property. The oil fields are open and are producing oil. They can not be closed without ruination. We do not want this market taken away from us.

Senator Smoot. And we do not want to take it away, either. However, personally, I do not want a duty on oil so that no Mexican oil or any other oil can come in from any other country and thus allow you to raise the price of crude oil to such an extent that it will prove to be a hardship on the American people.

Mr. SMITH. The Senator understands, I think, that we produce in this country more oil than we consume. That fact alone would preclude the price from becoming exorbitant. However, the members of the industry who considered this question did not consider \$1 a barrel would be prohibitive. We do not ask and we do not want a prohibitive tariff.

Senator Smoot. I think last year we consumed as much oil as we produced in the United States.

Mr. SMITH. Our consumption plus our export was more than our production.

Senator Smoot. You did not produce enough oil in the United States, less our exports, to take care of the American trade.

Mr. SMITH. I would like to make the statement, Senator, that my understanding of this tariff and of all tariff laws is that the raw material is imported from foreign countries and refined here and sold in the export trade without paying a duty.

Senator Smoot. That is true.

Mr. SMITH. So that we supplied enough oil to equal the domestic production plus about half of our export. The remainder could be very readily supplied from imported foreign oil without the payment of duty.

Senator Smoot. Yes. That is refined for foreign shipment, or refined in bond, and it then goes out of the country.

Senator McLEAN. I will proceed with these questions. I have only two or three more questions to ask.

Is not the proposal for a tariff on oils, frankly speaking, an attempt to get higher prices for the mid-continent product? Will not the American consumers of oils pay the increased price? Does it not amount to a proposal to benefit your one section of the country at the expense of all farmers, automobile owners, manufacturers, and American shipping in the principal farming, industrial, and commercial regions of the country?

Mr. SMITH. My answer to that is no.

The object of the tariff on oil is the same as the object of every tariff on any other commodity, to wit, to stabilize the domestic industry and to prevent, as far as possible, violent fluctuations and the frequent periods of feast and famine that we have. Our contention is that a reasonable tariff which will restrain the drilling operations in foreign countries to the same extent that they are restrained here will conserve the entire petroleum deposits for consumption in an orderly manner at a reasonable price, and that if you do not have a tariff you will have the oil dumped in here at frequent intervals when the price may go low, but in turn you will have an inordinately high price when that condition ceases. In the meantime you will have lost a great portion of your domestic natural resource that can never be restored.

Senator McLEAN. That is true, but your article is an exhaustible source of power, whereas most of the things that we protect are inexhaustible.

I assume that the idea of the gentleman who propounded these questions was that if you put on a tariff prohibiting imports into this country it would result in stimulating the oil producers in this country to a point where they would exhaust our supply, and when we had exhausted our supply we might have to pay a severe price for the outside product.

Mr. SMITH. That is pure theory. In the first place, no one knows or has much of an idea as to how much petroleum there is in the world. No one knows which country has the most petroleum.

At a recent meeting of the American Petroleum Institute, Mr. Thomas A. O'Donnell, president of that organization, made a brief statement on that subject, which I should like to call to your attention. He said:

We still have with us a rather overproduction of super-scientists, who are constantly measuring the petroleum resources of the world and point out various signs of disaster following its exhaustion within a very few years. We also have some very able writers with a great command of the English language and a free use of mathematics, who, by using the statements of our scientists as a basis, are writing some wonderfully interesting articles; some, no doubt, merely for the purpose of interesting the public and others as a part of propaganda to create prejudice against some of the foreign nations. In any event, to say the least, it gives an exaggerated viewpoint to the public mind as to the immediate danger confronting the country through lack of the necessary petroleum resources of the future.

Mr. Frank Haskell, who is an authority on oil production in the United States, also read a paper. I would like to read one paragraph:

A short statement about past estimates or wild guesses as to the probable future production of certain districts or States is not out of place here. These estimates have at times been put out by persons in positions of more or less authority, have been taken by the general public as the opinion of experts in the business, and have carried much more weight than they should have.

In the early days of Oklahoma's history as an oil State a certain Government bureau or authority went on record and published it to the world in pamphlet form that the State had an estimated oil area of 400 square miles, with an estimated production of 192,000,000 barrels. The State since that time has produced over 1,162,000,000 barrels of oil and is producing at present at the rate of over 100,000,000 barrels annually. At the same time an equally wild guess as to the future production of Texas was made.

Senator McLEAN. I assume that our experts at the head of the Geological Survey are very confident that the supply of oil is limited, and if my recollection is correct they stated that they looked forward to a very serious situation in 15 or 20 years.

Senator CURTIS. There are discoveries being made now that those people never dreamed of.

Mr. SMITH. Those estimates, Senator, are based upon known fields.

Senator McCUMBER. I would like to call your attention to the fact, Mr. Smith, that you have taken one hour.

Senator CURTIS. Mr. Chairman, this is a very important subject, and it should be remembered that we have asked the witness a great many questions.

Senator McCUMBER. That is very true.

Mr. SMITH. My concluding point is with reference to the price of gasoline. There has been a great deal of criticism and prejudice against an oil tariff on the theory that it would increase the price of gasoline. I want to leave with the committee one statement regarding that proposition.

Domestic oil produces from 30 to 40 per cent gasoline, while foreign oil produces from 15 to 20 per cent. Let us suppose that a given amount of oil—say 100,000,000 barrels—were run through the refinery. If that were Mexican oil, it would produce approximately 15,000,000 barrels; if it were domestic oil, it would produce twice as much, or approximately 30,000,000 barrels, so that, taking a given amount of oil refined within a given time, the domestic oil will produce twice as much gasoline, and twice as much of a supply of gasoline does not tend to increase the price, but would tend to reduce it.

Senator McCUMBER. You may have your brief printed in full.

Mr. SMITH. I should like to file the brief of the Mid-Continent Oil and Gas Association of July, 1921, and the supplemental brief bringing these figures down to date.

Senator HARRELD. The price of oil, of course, is affected by the law of supply and demand.

Mr. SMITH. In answer to the Senator's reference to the law of supply and demand, I think it has the same effect on oil as on other commodities. There may be some manipulation by the larger interests, but I am not in a position to state.

Senator HARRELD. I would like to know, Senator McLean, if there is any objection to giving the name of the Senator who wrote those questions.

Senator McLEAN. I do not know that there is. Senator Calder asked me to read them. He can not be here to-day.

BRIEFS OF THE MID-CONTINENT OIL AND GAS ASSOCIATION.

Stabilization of an indispensable domestic industry rather than prohibition of imports is the motive and principle underlying the request for a tariff on oil.

The request is made by the producers of domestic crude oil and is unanimous with the exception that a few oppose because of their interest in foreign oil production or prospects.

The request for a tariff on oil is considered by the industry to be perfectly consistent with and agreeable to the policy and platform of the Republican Party, which now provides for and directs the Nation's affairs. The policy or principle referred to is that of a tariff on imports. It is submitted that every sound reason which underlies the placing of a tariff upon other commodities will likewise dictate the imposition of such a duty in the case of petroleum and its products.

The arguments usually considered valid and upon which the protective tariff theory has been approved by this country, apply with distinct appropriateness to the case of petroleum, viz:

- (a) A tariff on oil is necessary to equalize the cost of production at home and abroad.
- (b) A tariff on oil is necessary to prevent the dumping of unreasonable and unnecessary quantities of foreign oil upon the American market at inopportune times.
- (c) The American market is the principal outlet for domestic petroleum products and should be preserved to domestic producers and refiners.
- (d) Without such protection the violent fluctuations in price to which the petroleum industry is subject will be aggravated to the distinct embarrassment of the domestic industry and the ultimate loss to the Nation of immense quantities of crude petroleum otherwise recoverable.

That there is a wide margin between the cost of production at home and abroad will be shown and illustrated by me later. Likewise the fact that an unnecessary amount of Mexican crude has been dumped upon the American market during the past year or 18 months will, I believe, be demonstrated by the statistics which I offer.

Stabilization of the market for domestic crude oil is an urgent and vital necessity to the full economic utilization of the domestic oil deposits. The frequent and violent fluctuations to which the oil producing industry has been subject have embarrassed the business and caused much financial loss, but, overshadowing these, the loss to the country from depressions such as we have experienced, consisting of the abandonment or insufficient because unprofitable handling of producing wells, is enormous and unrestorable.

The proposed tariff which fundamentally is designed to force the same degree of curtailment of new development work in Mexico as market conditions have made necessary in this country is a legitimate part of a national program of conservation of natural resources. It is more—it is international because it contemplates the conservation of the fuel oil of Mexico as well as the gasoline-producing oil of the United States until the public needs them.

Storage of crude oil above ground involves a disastrous waste. We now have an oversupply. It is augmented and aggravated by an unrestrained drilling campaign in Mexico. As has been often said, the proper place to store oil is in its natural state in the ground. The race to deplete the fields of Mexico and to dump the oil upon the American market to the utter demoralization of domestic fields is a proceeding born of avarice and of only temporary, if any, benefit to the consumer of fuel oil. The unwise aspect of this program has been and will be reflected in losses of potential domestic production through abandonment of domestic wells and the consequent future inordinately high prices of all petroleum products. We, therefore, respectfully submit that the opposition by the producers of Mexican petroleum to this proposed tariff is based upon a selfish expediency inconsistent with our national welfare.

Mr. Walter Teagle, president of the Standard Oil Co. of New Jersey, made an address at the annual meeting of the American Petroleum Institute at Chicago early in December this year on the subject, "The Current Year in the Petroleum Industry," in which, during an able discussion of the petroleum situation, he made the following statement:

"We realize also that \$1 mid-continent crude was below cost and therefore uneconomic. In so far as the difficulties in the way of stabilization are not inherent and ineradicable, any suggestions for their amelioration are worth consideration and will be welcomed."

In that spirit we make the suggestion that an adequate tariff against imports of petroleum would constitute a constructive step toward the stabilization which that distinguished speaker admitted was desirable. It would afford a degree of restraint against the unnecessary importation of large quantities of Mexican oil, such as we experienced during the past 16 months, and would afford also a measure of assurance to the domestic producer that the catastrophe of 1921 would not be repeated when other large pools are hereafter opened in Mexico or South America.

UNNECESSARY INCREASE IN IMPORTS.

The United States produced in 1920 some 443,000,000 barrels of crude oil or about 65 per cent of the world's production and more than enough for home consumption. In the autumn and winter of that year the financial depression at home and abroad checked the advance in domestic consumption and exports. At the same time,

however, the production of Mexico was accelerated and increased so that imports into this country became the largest in history. They continued in large volume up to the present time (with the exception of the months of July and August, 1921), notwithstanding unfavorable marketing conditions in this country. Imports have, therefore, so far as the oil industry is concerned, accentuated the depression because of the unprecedented oversupply thus created.

To illustrate: Imports of foreign oil into the United States in 1910 amounted to 510,000 barrels; in 1916 to 20,797,000 barrels; in 1919, 52,747,000 barrels; in 1920 to 106,175,000 barrels, and in the year ending June 30, 1921, to 133,442,000 barrels. Taking 1916 as a basis we find that domestic consumption and exports are showing an increase in 1921 of about 50 per cent over those of 1916 while imports have increased some 600 per cent.

The marked increase in imports occurred in the last 16 months and right at the time when imported oil was least needed to supply American or export markets. In the year ending June 30, 1921, the production of oil in the United States exceeded 470,000,000 barrels of oil, of which 91,000,000 barrels were displaced by Mexican oil and went to storage either in its crude or refined state. During the year ending September 30, 1921, the displacement of domestic oil approximated 70,000,000 barrels. This decrease was due to the falling off of imports during July and August resulting from misunderstanding between the Mexican Government and the Mexican producers. In the fiscal year ending June 30, 1921, the domestic consumption was about 431,000,000 barrels and exports 77,000,000 barrels or a total of 508,000,000 barrels consumed out of a total available of 607,000,000 barrels. As a consequence, the price of crude oil at domestic wells, as fixed by the principal buyers (some of whom are also large producers and importers of Mexican oil) declined 71 per cent in the first six months of 1921. In the midcontinent field this decline was from \$3.50 in January to \$1 in June. As the imports increased the consequent oversupply of available crude was pointed to as a justification for the cut in the price of domestic crude oil. During the first half of 1921 when prices offered for domestic crude declined to a point below the cost of production in this country, the total domestic production of crude oil was only 10.66 per cent, or 22,808,000 barrels greater than during the same period of 1920 when prices advanced. The increase in imported crude, however, was 69.90 per cent, or 27,269,670 barrels, thus making a total increase in total current supply over the first half of 1920 of 50,075,670 barrels or approximately 20 per cent. During the first half of 1921 the domestic production of crude oil was 236,682,000 barrels or 31,678,456 barrels more than domestic consumption during that period.

OVERSUPPLY VERSUS GENERAL DEPRESSION.

When, during the past year, the demoralization of the independent oil industry was described to the opponents of the oil tariff, they contented themselves with the general observation that we were passing through a "period of readjustment" and that a general business depression was responsible and was causing disasters in all lines of business—that the domestic oil producer should be willing to bear his share of the loss, etc., which was being inflicted upon business generally in the process of readjustment. If the decline in crude oil prices had been attributable solely to a decrease in consumption of petroleum and its products, that statement might have been well founded. But was such the case? It was not. The decline in prices offered for domestic crude was due, in the main and aside from any artificial manipulation which may or may not have occurred, to an oversupply.

The accompanying tabulation shows that the consumption of refined petroleum products was practically the same in total volume during the first nine months of 1921, when crude prices had declined, as it was during the first nine months of 1920 when crude prices had advanced. The same is true of the first six months of each of those years. It also shows that the net total deliveries of crude oil (domestic and imported) to refineries and consumers was greater by 5 per cent in the first nine months of 1921 than in the first nine months of 1920. Confining ourselves to the first six months of each of those years, we find that this consumption of crude oil as crude was greater in the first half of 1921 when prices declined than it was in the first six months of 1920 by 4 per cent. So consumption of petroleum did not decrease as it did in other commodities. But what of supply?

As before stated, domestic production in the first half of 1921 exceeded strictly domestic consumption but this was also true in 1920. Exports were practically the same during the two periods but during the first half of 1921 imports of crude were 66,276,000 barrels as against 39,009,000 barrels in the similar 1920 period. The influx of 66,000,000 barrels of Mexican crude was simply a back breaking oversupply which, being utilized by the larger refineries, displaced some 60,000,000 barrels of domestic crude oil which went to storage and demoralized the industry.

It will be noted that while consumption and exports (by total volume) remained about the same, or increased slightly, during the first six months of 1921 as compared with the first six months of 1920, and that the same was true of the first nine months of 1921 as compared with the first nine months of 1920, nevertheless, the net deliveries of the domestic crude to refineries and consumers decreased in 1921. This decrease in the first half of 1921 over the same half year was 7 per cent; while for the nine-month period it was about 1 per cent. But the deliveries of imported crude to domestic refineries and consumers were 69 per cent greater in the first six months of 1921 than they were in the first half of 1920. Thus:

Deliveries.	First half of 1920.	First half of 1921.	First 9 months of 1920.	First 9 months of 1921.
	<i>Barrels.</i>	<i>Barrels.</i>	<i>Barrels.</i>	<i>Barrels.</i>
Domestic crude.....	214,976,000	199,924,900	307,429,000	306,236,000
Imported crude.....	37,854,333	64,009,884	66,032,165	86,971,399
Total.....	252,830,333	263,933,884	373,461,165	392,206,399

The significance of the above tabulation is that while the total consumption of crude oil is on the increase, the proportion of domestic crude thus utilized is decreasing. In other words, the total consumption of crude oil during the first nine months of 1921 was 18,000,000 barrels greater than it was in the first nine months of 1920, but the consumption of domestic crude during that same period was almost 2,000,000 barrels less than it was during the first nine months of 1920.

Percentage of domestic crude consumed to total crude consumption.

	Per cent.
First 6 months of 1920.....	85.00
First 6 months of 1921.....	76.00
First 9 months of 1920.....	82.32
First 9 months of 1921.....	77.84

This fact leads to the inevitable conclusion that imported crude oil enters into direct competition with domestic crude oil and that the utilization of the foreign oil by the refineries has caused the domestic oil to back up in the pipe lines which convey it to the Gulf and Atlantic ports which the imported oil also enters.

An analysis of production, consumption, and stocks of crude petroleum and its products, showing the comparisons for the first nine months of 1920 and similar period of 1921, is presented herewith.

Analysis of production, consumption, and stocks of crude petroleum and its products, showing comparisons of first 9 months of 1920 and similar period in 1921.

PRODUCTION (INCLUDING IMPORTS).

	Jan. 1-Sept. 30, 1920.	Jan. 1-Sept. 30, 1921.	1921 increase.	1921 increase (+) or decrease (-).
	<i>Barrels.</i>	<i>Barrels.</i>	<i>Barrels.</i>	<i>Per cent.</i>
Domestic production (crude).....	328,180,000	354,591,000	26,411,000	+ 8.72
Imports (crude).....	68,286,143	86,924,380	18,638,237	+27.14
Total crude available.....	396,466,143	441,515,380	44,049,237	+11.92
	<i>Gallons.</i>	<i>Gallons.</i>		
Gasoline.....	3,496,723,473	3,841,675,557		+ 9.77
Gasoline imports.....	34,708,861	28,907,583		-16.71
Total gasoline.....	3,531,432,334	3,870,583,140		+ 9.54
Kerosene.....	1,680,881,001	1,417,116,816		-15.69
Gas and fuel oil.....	6,358,667,664	7,165,015,196		+12.72
Lubricating oil.....	771,408,821	642,309,993		-16.73
All other refined products ¹	1,531,080,368	1,316,142,344		-14.04
Total domestic refined products.....	13,798,040,770	14,308,714,473		+ 3.71
Total domestic and imported refined products.....	13,874,343,178	14,411,167,499		+ 2.86

¹ Includes all imported refined products other than gasoline.

Analysis of production, consumption, and stocks of crude petroleum and its products, showing comparisons of first 9 months of 1920 and similar period in 1921—Contd.

CONSUMPTION (INCLUDING EXPORTS).

	First 9 months, 1920.	First 9 months, 1921.	1921 compared with 1920.	
			Increase.	Decrease.
			Per cent.	Per cent.
Gasoline consumption.....	<i>Gallons.</i> 3,694,028,361	<i>Gallons.</i> 3,817,638,979	3.37 ^a	.....
Kerosene consumption.....	1,640,899,986	1,438,952,702	.....	12.31
Gas and fuel consumption ¹	6,299,565,154	6,773,165,483	7.52	.....
Lubricating consumption.....	778,272,928	672,605,057	.....	26.43
All other refined products.....	1,417,137,060	1,185,594,925	.....	16.13
Total refined products.....	13,828,903,487	13,790,957,146	.....	.28

STOCKS.

	1920			1921			Increase of stocks of Sept. 30, 1921, over stocks of Sept. 30, 1920.	
	Jan. 1.	Sept. 30.	Per cent in- crease or de- crease (-).	Jan. 1.	Sept. 30.	Per cent in- crease or de- crease (-).	Amount.	Per cent.
Crude:								
Pipe line ²	127,867,000	146,588,000	14.64	145,828,000	195,184,000	38.39	48,696,000	33.15
Refinery.....	14,284,667	19,897,098	39.29	22,379,239	18,830,457	-15.89	-1,066,641	-5.31
Importers of Mex- ican.....	2,000,000	4,187,000	109.35	7,442,000	7,285,000	-2.16	3,098,000	73.99
	144,151,667	170,672,098	18.39	175,649,239	203,499,457	28.92	50,627,399	29.66
Refined:								
Gasoline.....	446,798,431	288,195,394	-55.03	462,381,837	515,325,998	11.45	227,130,604	78.82
Kerosene.....	339,319,690	379,300,705	11.60	393,070,923	371,235,034	-5.56	-8,065,671	-2.13
Fuel oil and gas oil.....	714,124,455	771,126,965	7.98	837,404,414	1,229,254,127	46.79	458,127,162	59.41
Lubricating.....	137,318,934	130,449,829	5.26	160,522,477	230,227,413	43.42	99,777,584	76.49
All other.....	458,181,229	578,458,490	26.25	636,634,399	731,806,206	14.95	153,347,726	26.51
Total, in barrels, crude and re- fined.....	194,014,111	221,803,797	14.32	234,935,288	294,581,571	27.47	72,977,774	32.81

EFFECT OF IMPORTS.

	First 9 months 1920.	First 9 months 1921.	Increase.	Decrease.
Domestic production of crude Jan. 1 to Sept. 30.....	<i>Barrels.</i> 326,150,000	<i>Barrels.</i> 354,591,000	Per cent. 8.72	Per cent.
Less increase of domestic pipe-line and tank-farm stocks.....	18,721,000	49,356,000	163.64	.....
Net deliveries of domestic crude to refineries and con- sumers.....	307,429,000	305,235,000	.....	0.72
Total imports of crude.....	68,219,165	86,814,399	27.26	.....
Increase of stocks of crude held in hands of importers.....	2,187,000	157,000	.....	.....
Net deliveries of imported crude...	66,032,165	86,971,399	28.64	.....
Total so-called "consumption of crude" This includes total crude exports of.....	373,461,165 (5,971,000)	392,206,399 (6,730,000)	5.02 (12.71)	.....

¹ Consumption of refinery fuel oil only, and does not include the large importations of Mexican crude consumed direct as fuel oil or the domestic crude used as fuel.

² In August, 1920, the United States Geological Survey changed its method of classifying stocks. The increase in pipe-line stocks during the year ending Sept. 30, 1921, is arrived at by adding 17,800,000 barrels, as directed by them.

^a Decrease.

Analysis of production, consumption, and stocks of crude petroleum and its products, showing comparisons of first 9 months of 1920 and similar period in 1921—Contd.

EFFECT OF IMPORTS—Continued.

	First 9 months 1920.	First 9 months 1921.	Increase.	Decrease.
Deduct:				
(a) Increase of refiners' stocks of crude.....	¹ 5,612,429	² 3,548,782	<i>Per cent.</i>	<i>Per cent.</i>
(b) Increase of refiners' stocks of refined products.....	1,245,448	14,766,922		
	6,857,877	11,218,140	63.58	.....
Remainder.....	366,603,288	380,988,259	3.92	.....
All imports of refined products.....	1,815,724	2,475,489	36.33	.....
Net total consumption and exports (corrected).....	368,419,012	383,463,748	4.08	.....
Net total consumption and exports (corrected).....	368,419,012	383,463,748	4.08	.....
Domestic production of crude (deduct).....	328,150,000	354,591,000	8.72	.....
Imports required to make total supply equal consumption and exports.....	42,269,012	28,872,748		31.69

DISPOSITION OF IMPORTS.

	First 9 months 1920.	First 9 months 1921.	Increase.	Decrease.
To make up deficiency in domestic production.....	<i>Barrels.</i> 42,269,012	<i>Barrels.</i> 28,872,748	<i>Per cent.</i>	<i>Per cent.</i> 31.69
Domestic oil possibly displaced by imports:				
Refinery crude stocks.....	¹ 5,612,429	² 3,548,782		
Refinery refined stocks.....	¹ 1,245,448	14,766,922		
Pipe line and tank farm stocks.....	¹ 6,857,877	11,218,140	(63.58)	.....
Total displacement.....	18,721,000	49,356,000	(163.64)	.....
Remaining in hands of importers:				
Total.....	28,578,877	60,574,140	136.31	.....
Imports of crude products.....	¹ 2,187,000	² 157,000		
Imports of refined products.....	68,289,143	86,814,399	27.49 (27.13)	.....
Total.....	1,815,724	2,475,489	(36.34)	.....
	70,034,889	89,289,888	27.49	.....

	1920	1921	Increase.	Decrease.
For this period the exports from the United States were:				
Crude and refined products to foreign countries and to noncontiguous territories of the United States...	<i>Barrels.</i> 56,561,579	<i>Barrels.</i> 53,026,906	<i>Per cent.</i>	<i>Per cent.</i> 6.25
Fuel oil used to bunker vessels engaged in foreign trade.....	18,304,693	20,252,215	10.61	.....
Total exports and bunker fuel.....	74,866,272	73,279,121		2.12

RECAPITULATION:

	First 9 months 1920.	First 9 months 1921.	Increase.	Decrease.
Consumption and exports.....	<i>Barrels.</i> 368,419,012	<i>Barrels.</i> 383,463,748	<i>Per cent.</i> 4.08	<i>Per cent.</i>
Exports (deduct).....	56,561,579	53,026,906		6.25
Domestic consumption.....	311,857,433	330,436,842	5.96	.....
Domestic production.....	326,150,000	354,591,000	8.72	.....
Excess of domestic production over domestic consumption.....	14,292,567	24,154,158	68.99	.....

¹ Increase.² Decrease.

Analysis of production one year ending Sept. 30, 1921.

	Barrels.
Domestic production of crude Oct. 1, 1920, to Sept. 30, 1921.....	471, 843, 000
Less increase of domestic pipe line and tank farm stocks.....	48, 596, 000
Net deliveries of domestic crude to refineries and consumers.....	423, 247, 000
Total imports of crude.....	124, 771, 523
Less increase of stocks of crude in hands of importers.....	3, 098, 000
Net deliveries of imported crude.....	121, 673, 523
Total so-called "consumption" of crude.....	544, 920, 523
Deduct:	
(a) Increase of refiner's stocks of refined products....	22, 921, 262
(b) Less decrease of refiner's stocks of crude.....	1, 066, 661
	21, 854, 601
Remainder.....	523, 065, 922
Add imports of refined products.....	3, 277, 204
Net total consumption and exports (corrected).....	526, 343, 126
Domestic production of crude (deduct).....	471, 843, 000
Excess of consumption and exports over domestic production....	54, 500, 126
Assuming that imports caused all increase in stocks as above set forth, the following possible disposition of imports is indicated:	
Disposition of imports:	Barrels.
To make up deficiency in domestic production.....	54, 500, 126
Domestic oil possibly displaced by im- ports—	
Pipe line and tank farm stocks, in- crease.....	48, 596, 000
Refinery refined stocks, increase....	22, 921, 262
	71, 517, 262
Refinery crude stocks, decrease.....	1, 066, 661
Total displacement.....	70, 450, 601
Remaining in hands of importers.....	3, 098, 000
Total.....	128, 048, 727
Imports of crude.....	124, 771, 523
Imports of refined products.....	3, 277, 204
	128, 048, 727

RECAPITULATION.

Consumption and exports.....	519, 474, 703
Exports, foreign.....	74, 595, 280
Oil used to bunker ships engaged in foreign commerce.	28, 282, 505
	102, 877, 785
Domestic consumption.....	416, 596, 918
Domestic production (deduct).....	471, 843, 000
Excess of domestic production over domestic consumption.....	55, 246, 082
Used to bunker ships engaged in foreign commerce.....	28, 282, 505
Excess domestic production over amount necessary to supply domestic consumption and vessels engaged in foreign trade...	26, 963, 577

—TARIFF IMPORTANT TO CONSUMER.

Stabilization is important not only for the business welfare of the 20-odd thousand independent producers of oil and their several hundred thousand investors, but to the consumers and to the economic welfare of the country. As before stated, in each depression the waste by abandonment and insufficient workings of otherwise

¹ This includes total crude exports of 8,805,000 barrels.

valuable properties is very great and far-reaching in its consequence. A well which is only producing two barrels per day becomes unprofitable to operate at prices such as have prevailed this year. Yet if the price justified, that well might continue to produce oil for 10 or even 20 years. Furthermore, the methods of extracting oil which have prevailed up to the present time have only succeeded in obtaining 25 to 33 per cent of the oil in a particular deposit. Vastly improved methods of oil extraction are now being put into use and it is conservatively estimated that the old pools, which were considered about exhausted, may now be made to yield as much oil in the future as they have in the past. In other words, by the use of compressed air it is believed possible to recover 65 to 75 per cent of the oil in the ground, whereas in the past we have been recovering half that amount. The point is that the known oil fields of the United States are now producing 65 per cent of the world's current supply, and if properly handled and not destroyed by these recurrent price depressions will continue to be the main source of high-grade oil in the world. But when a well is abandoned and the salt water is allowed to encroach and to permeate the oil sands, not only the well is lost but the producing sand is ruined. Two hundred thousand oil wells in the United States are now in the balance. If preserved, they will continue to produce large volumes of oil for a generation. Likewise, other wells which will soon reach the 2-barrel stage will either be abandoned in the future or conserved. If cheaply produced Mexican crude is permitted to come in duty free it will work the abandonment of many of these wells and the absorption of others of them by the larger interests.

That American wells were abandoned because of the low price is evident from the following report from the oil fields appearing in the Tulsa Tribune of August 5, 1921:

"The startling fact that hundreds of old settled producing oil wells were either abandoned or disconnected from pipe lines in Oklahoma, exclusive of the Osage Reservation, and the shallow districts in Rogers, Nowata, and Washington counties, during the month of June, is borne out in a statement just compiled by one of Tulsa's largest producing, refining, and pipe-line companies. The report shows that in May, 1921, 20,094 wells were delivering oil to pipe lines in this district, and on June 30, a month later, this number had declined to 18,807, a total loss of 1,287 producing wells.

"Taking for granted the authenticity of the report, it is evident that something must be done in order to enable economical operation of the old wells or the movement will spread to such an extent that the death of the American oil industry will occur far ahead of the time predicted for it. Dollar oil must cease to exist so far as the small wells are concerned, because the small wells are the very backbone of the petroleum industry of the United States. State and national politicians should immediately get busy and see to it that the life of these wells are preserved and not allow them to be brought to an end by an unfavorable oil price.

"It is the smaller well that the industry relies upon for the bulk of its crude oil supply as is borne out by the fact that despite the great number of large wells in the country, the average production per well of the United States is less than five barrels.

"The report states that of the 1,287 wells cut off from marketing channels, 1,083 were in the Tulsa district; 305 were in the Cushing field; 48 in the Yale-Quay-Meramec district, and 3 each in the Blackwell and Bristow-Slick districts. The number of wells producing in each district in May, compared with June, was as follows:

Field.	May.	June.	Field.	May.	June.
Cushing.....	2,784	2,479	Mervine.....	61	70
Yale-Quay-Meramec.....	416	368	Okmulgee.....	4,648	4,561
Bristow-Slick.....	424	441	Hewitt.....	493	513
Cleveland-Jennings.....	1,135	1,236	Comanche-Duncan-Walters.....	508	536
Tulsa.....	6,375	5,292	Healdton.....	1,971	2,019
Garber.....	441	442	Milroy-Fox-Loce.....	439	447
Billings.....	88	87	Cement.....	64	70
Blackwell.....	172	169			
Ponca.....	77	77	Total.....	20,094	18,737

"According to the report, the Prairie Pipe Line Co. run oil from only 1,864 wells in the Tulsa district in June, whereas it run from 2,259 wells in May. The Gulf Pipe Line Co. run from 1,318 wells in May compared with 1,001 wells in June. Sinclair Pipe Line Co. run from 435 wells in May and from 233 in June. The Texas Co. run from 1,363 wells in June compared with 1,580 in May."

As to the life of the producing wells in the United States, note the following statement by President Thos. A. O'Donnell, of the Petroleum Institute, at its recent annual meeting:

"We have many thousands of wells producing oil, which in the aggregate form an important part of our supply, that have in many instances been constant producers for over 40 years. As an illustration, we can refer to the Bradford pool, in which active development started 45 years ago. Of late years, improved methods in this pool have resulted in the production at the present time being an increase of 19 per cent over the quantity produced in 1920, and the district now has indications of being an important producer for the next 30 or 40 years, with a possibility of recovery of oil per acre nearly if not quite as much as that produced from the sands by natural drainage."

The small wells of the United States produced 178,644,600 barrels of oil in 1920, or an average per well per day of 2.4 barrels. This was 40 per cent of the production of this country and 26 per cent of the production of the world. It follows that serious and sustained depressions in the domestic oil industry threaten 26 per cent of the world's current supply of crude petroleum. Thus we have here at home a most important question. Shall we, through neglect or failure to protect, fritter away an annually recurrent supply, coming from these small wells, which is greater than Mexico produced last year and a quarter of the world's present production?

COST OF MEXICAN PRODUCTION.

The proposed tariff of 35 cents per barrel on crude and 25 cents per barrel on fuel oil would not be prohibitive. A much higher rate could be paid and still permit adequate importation when markets are in a healthy condition (when markets are not healthy, we have no need of imports). Then, too, it must be borne in mind that the need for imports, if any there be, relates to the supply for export purposes. It has already been pointed out that we produce more than enough for home consumption. Raw materials imported for manufacture and export are exempt from duty. The tariff would, therefore, not interfere with importations of crude oil for export purposes and would not, for the same reason, cause refineries to move to Mexico to refine oil for the European market. Neither would they move there to refine oil for the American market because fuel oil, the chief ingredient of Mexican crude, would be subject to the tariff when imported and sold in this market.

The increased use of Mexican oil in American refineries is due to the great margin of profit inherent therein. Representatives of the Mexican Government who have recently made investigations are authority for the following statement of the cost of producing and transporting Mexican oil to the United States (June, 1921):

	Mexican gold per barrel.
Panuco crude:	
Production cost.....	\$0. 09
Transportation to Tampico.....	. 08
Transportation to Galveston.....	. 45
Total Mexican taxes.....	. 44
Cost at Galveston.....	1. 06
Cost at Galveston.....	1. 53
Tuxpam crude:	
Cost of production.....	. 04
Transportation to Port Lobas.....	. 06
Transportation to Galveston.....	. 45
Total taxes.....	. 74
Cost at Galveston.....	1. 29
Cost at Galveston.....	1. 645

The New York office of the Association of Producers of Oil in Mexico has questioned the accuracy of these figures, but, so far as I am informed, has not published any statement or compilation of what it claims to be correct cost figures. The statement which I saw did question, however, the importance of Galveston as a port of entry for Mexican crude and seemed to intimate the volume and value of imported oil entering that port was not a true criterion. I find upon consulting Foreign Commerce and Navigation of the United States for 1920, issued by the Bureau of Foreign and Domestic Commerce, that 18,098,000 barrels of crude oil were imported into the United States through the Port of Galveston in 1920 and that the value stated was 50 cents per barrel. The only other port in the United States receiving as large or more foreign

¹ United States gold.

crude was the port of New York, with 27,000,000 barrels of an average value of 52.7 cents per barrel. New Orleans was third with 14,800,000 barrels at an average value of 48.5 cents per barrel. This should constitute reliable information as to the points at which foreign crude enters the United States and its approximate cost.

So much of the Mexican oil is produced, transported, imported, refined and sold by integrated American companies which own all the material and equipment and conduct all the operations from drilling of wells to the retail sale in this country that it is difficult to estimate and impossible for me to say what are the exact costs. But there is one outstanding feature of Mexican production which demonstrates beyond doubt that oil production in Mexico is accomplished at a mere fraction of the cost per barrel in the United States. As pointed out in the brief heretofore filed with the Finance Committee by the Mid-Continent Oil & Gas Association, there are some 184 oil wells in Mexico and they produced 163,000,000 barrels of oil in 1920 or about 2,400 barrels per well per day. These wells flow continuously under their own hydrostatic pressure so that there is no expensive cleaning out or pumping operations after the well is brought in. With these wells costing an average of \$75,000 each, the initial investment necessary to produce 163,000,000 barrels in a year was about \$12,000,000 or 7 cents per barrel. Amortizing the cost over a period of two years would reduce the per barrel average to slightly over 3½ cents for this item of cost.

In the United States we have some 280,000 oil wells. The average production per well per day is 4.9 barrels. Two hundred thousand of these wells average only 2.4 per day each. In the State of Ohio there are 39,000 oil wells, averaging daily one-half barrel per well, while Pennsylvania with her 67,000 wells averages 0.3 of a barrel per well per day. The "flush" production period of domestic wells is, as a rule, very brief, after which costly pumping machinery must be installed and the wells must be cleaned out from time to time—and receive careful attention for a period of years. It would, therefore, take about 89,000 domestic oil wells at an average cost of \$20,000 each to equal Mexico's one-year production of 163,000,000 barrels.

This would represent an initial investment of \$1,780,000,000, or 148 times as much money as needed for the same result in Mexican production. When oil can be produced 500 times as fast in one country as in another and at 1/147 of the initial cost of development necessary to yield a given amount of oil in a given time, there is no question but that oil is being produced much more cheaply in the former. Compilations of cost of production in the mid-continent field showed an average early this year of \$1.67 per barrel. With recent cuts in wages and working force the average has probably been reduced from 15 per cent to 20 per cent by this time. This oil brought from 60 cents to \$1 per barrel during the summer, and many operators were forced into bankruptcy.

ESTIMATES OF SUPPLY.

Mention has been made in the public press and elsewhere of certain estimates of the world supply of petroleum yet unmined, and the argument is made that the United States will soon exhaust its supply. Similar predictions have been made periodically for 30 years and more. Generally they are based upon the estimated quantity recoverable from known producing areas. They do not and can not reliably include undiscovered fields. It is, therefore, useless and profitless to indulge in mere guesses as to what is the world's unmined supply or where it will be found. For aught any one knows the United States may continue to be the world's leader in petroleum production for several generations. Especially is this likely to occur if present fields are protected and the industry stabilized by means of an adequate tariff.

Relative to the world's future oil supply, Mr. O'Donnell asserted that—

"We still have with us a rather overproduction of superscientists who are constantly measuring the petroleum resources of the world and point out various kinds of disaster following its exhaustion within a very few years. We also have some very able writers with a great command of the English language and a free use of mathematics who by using the statements of our scientists as a basis are writing some wonderfully interesting articles; some, no doubt, merely for the purpose of interesting the public and others as a part of propaganda to create prejudices against some of the foreign nations. In any event, to say the least, it gives an exaggerated viewpoint to the public mind as to the immediate danger confronting the country through lack of the necessary petroleum resources of the future."

A similar opinion was expressed at the American Petroleum Institute meeting by Mr. Frank Haskell of the Tide Water Oil Co. in his paper "Oil Production During the Past Year and a Glimpse of the Future," and by other leaders in the industry.

The foregoing observations with reference to supply are cited not for the purpose of raising any question as to the ultimate exhaustion of petroleum deposits in this country and elsewhere, for such exhaustion will likely occur some time in the distant

future because petroleum is a deposit and must, therefore, be exhaustible. And it doubtless will be exhausted unless the scientists find commercial substitutes in time to prevent. But the point is that there is no such likelihood of exhaustion in the next ten or twenty years as has been predicted in the public press. There is, therefore, no necessity for opening the flood gates for the introduction of cheap Mexican crude to the ruination of the independent American oil industry. Our domestic industry has so much money invested and has so many oil fields open and producing that the economic loss from the destruction of this going business would far outweigh the temporary advantage of cheap Mexican fuel oil to a few American consumers.

Furthermore, since we agree that the increasing demand will in all probability exceed supply at some time in the future, and therefore that prices for petroleum products will go to higher and higher levels, it would seem unwise on the part of the consumer to demand excessive imports now, with the consequent depletion of nearby foreign fields, because inordinately low prices beget prodigal and wasteful overconsumption, and therefore hasten the day of painfully high prices.

CONCLUSION.

In conclusion let me cite corroborative testimony from Mr. Frank Haskell's above-mentioned paper on two important points which I have attempted to make clear, to wit, first, that price recessions in this industry during the past year were due to oversupply, not to underconsumption, and, second, that violent price fluctuations should be avoided in favor of stabilization. He said:

"Lest it be thought that this great decrease in price was brought about by the world-wide stagnation of industry which has prevailed during the past year, it should be pointed out that there has been no decrease, but an actual increase, in the consumption of crude oil and its products during the time in question.

"The violent fluctuations in the price of his product has always been one of the most discouraging features with which the producer has had to contend. This has been true particularly in recent years with the industry increased to such proportions that very large capital is necessary to carry it on economically and with any assurance of success. The finding of a remedy for these violent price fluctuations is one of the most important problems confronting the industry to-day."

To have a stabilized price for petroleum, even though it might be somewhat higher than would obtain temporarily with unrestricted imports, would be best for the consumer, the industry, and the country in the long run. We can not have stabilization when our ports are open and absolutely free to each and every flood of foreign oil that may be attracted by our wonderful market. With oil on the free list, feast and near famine will likely alternate in the future as they have in the past. A tariff would constitute a stabilizing influence. In its beneficent effect the American oil worker and the American oil consumer would share with the American oil producer.

Imports of crude oil into the United States from Mexico, 1915 to 1920.

Year.	Barrels.	Year.	Barrels.
1915.....	17,478,000	1918.....	37,719,000
1916.....	20,125,000	1919.....	52,662,000
1917.....	30,048,000	1920.....	106,175,000

Imports of crude oil (barrels) into the United States from Mexico, by months, 1918 to 1921.

Month.	1918	1919	1920	1921
January.....	2,222,097	3,899,376	6,293,352	13,191,929
February.....	2,128,006	3,655,543	4,939,913	11,384,245
March.....	2,557,141	3,492,800	6,502,835	12,303,000
April.....	2,846,037	3,970,195	6,186,000	10,043,924
May.....	3,821,887	4,743,395	6,966,000	9,147,416
June.....	2,914,538	4,703,212	8,120,000	10,205,255
July.....	2,835,702	4,462,910	6,768,000	8,046,840
August.....	4,089,595	4,143,445	10,791,000	3,352,218
September.....	3,504,810	4,405,006	11,650,000	9,093,447
October.....	3,675,024	5,888,290	11,361,000	11,575,405
November.....	4,340,631	4,938,881	13,750,000	.....
December.....	2,983,616	4,330,576	12,847,355	.....
Adjustment.....	.....	29,905	.....	.....
Total.....	37,719,084	52,661,534	106,175,000	98,343,679

[From Frank Haskell's paper on "Oil Production During the Past Year and a Glimpse of the Future,"
Read at American Petroleum Institute meeting Dec. 7, 1921.]

PRODUCING SITUATION IN MEXICO.

Nearly every State in Mexico has oil or indications of oil in varying quantities. The largest wells ever found in the world are in the State of Vera Cruz. This field has produced large quantities of oil of a rather inferior grade and continues to produce at a rate of over 400,000 barrels daily.

The northern districts of the field have been practically ruined recently by the incursion of salt water in the wells. The southern part of the field continues to furnish a large production, but it is probable that salt water will make its appearance there at no distant date.

That other profitable pools or fields will be discovered in Mexico is all but certain, and that the country will continue to be a considerable factor in supplying the world's needs of oil after the exhaustion of the present producing areas is probable.

SOUTH AMERICAN RESOURCES.

What part South America will play in supplying the world's petroleum in the future is somewhat problematical, but that it will be an important one there is no reason to doubt.

Oil is known to exist in large quantities in Colombia and Venezuela on the north, where it is now being produced commercially.

It is found at widely scattered points on the west coast of the country and is said to exist far up the tributaries of the Amazon River.

Argentina in the south has a very promising future as an oil State. There is a considerable commercial production there at this time and fine, large wells have been completed within the last year. Most of the development there is being carried on by foreign companies, among which the United States has not yet assumed much prominence.

One of the oldest and most successful oil producers of the United States, a man who is familiar with that country from long personal connection with enterprises there, predicts that there is more oil in South America than in the United States.

ESTIMATES AS TO OIL RESOURCES.

A short statement about past estimates, or wild guesses, as to the probable future production of certain districts, or States, is not out of place here. These estimates have at times been put out by persons in positions of more or less authority, have been taken by the general public as the opinion of experts in the business, and have carried much more weight than they should have.

In the early days of Oklahoma's history as an oil State a certain Government bureau or authority went on record, and published it to the world in pamphlet form, that the State had an estimated oil area of 400 square miles, with an estimated production of 192,000,000 barrels. The State since that time has produced over 1,162,000,000 barrels of oil and is producing at present at the rate of over 100,000,000 barrels annually. At the same time an equally wild guess as to the future production of Texas was made.

A TARIFF ON OIL TO PRESERVE AMERICAN INDEPENDENCE AND PREMINENCE.

1. The United States is now producing more oil within its own borders than it consumes. Ten million barrels of crude and refined oils are going to storage per month.

2. Imports of foreign oils (chiefly from Mexico) have increased 610 per cent since 1916. Mexican oil is now displacing domestic crude at refineries, causing demoralization in the domestic industry where prices of crude oil have declined 71 per cent in five months.

3. Mexican production is all "flush" in that the wells flow continually under their own terrific pressure. Domestic wells have to be pumped almost from the first, thus causing higher cost per barrel in the United States. The 184 wells in Mexico produced 163,000,000 barrels of oil in 1920 or an average of about 2,420 barrels per well per day. The average in the United States is 4.9 barrels per well per day. Mexican wells, therefore, produce oil 500 times as fast as American wells and consequently the cost per barrel in Mexico is only a small fraction of the cost per barrel to produce in the United States.

4. Mexican oil is of low gasoline content (3 per cent to 15 per cent) while American oil is high grade, 75 per cent of it yielding 20 per cent to 40 per cent gasoline. Heavy imports of Mexican crude disturb the equilibrium existing between various petroleum products by creating too much fuel oil and low grade products and not enough gasoline. A tariff which would compel the use of domestic crude by refineries instead of Mexican crude would cause an increase of the gasoline supply. One barrel of domestic crude is equivalent to 3.7 barrels of Mexican crude so far as gasoline is concerned. A tariff would not, therefore, cause an increase in the price of gasoline.

5. The great accumulation of crude stocks caused by imports has so depressed the price of crude oil at the well as to make the operation of small American wells unprofitable. It is reliably estimated that 200,000 of them which now produce an average of about 2 barrels each per day, rich in gasoline, will be abandoned within a few months because the cost of operation exceeds gross returns. When once abandoned they can not be reclaimed. Thus a natural resource amounting to a billion barrels of potential future domestic production will be lost.

6. The United States produces 65 per cent of the oil of the world and has done so consistently since the beginning of petroleum history. Her deposits are the most reliable, extensive and definitely known to exist. Also the most accessible to American markets. No foreign navy could shut us off from this source of supply in time of war and no foreign country could deprive us of it by tax or embargo. It is being developed and conserved in an orderly and efficient manner and, if encouraged by our own governmental policy, will last indefinitely. To do anything to lessen the importance or continuous efficiency of this great industry or to permit it to be strangled or absorbed by the monopoly which controls Mexican production would be a serious mistake. It would also be a mistaken policy which, through free trade, would sacrifice 200,000 American wells in an endeavor to gain a personal advantage for a few American investors in foreign fields.

7. The 16,000 independent but unorganized producers of domestic crude have been producing more than half of the total output of the United States. But the Standard Oil and affiliated interests dominate the refining industry and fix the prices at which they purchase crude oil from independent producers. These interests are strongly entrenched in Mexico. By heavy imports the American crude market is flooded. Domestic crude brings less than it costs to produce. The domestic producer's income has shrunk at the annual rate of a billion dollars. His properties are worth but a quarter of what they were six months ago. The Government and the States have lost, through this catastrophe, hundreds of millions of dollars in income and other taxes. But the end is not yet. The condition is ominous and the time critical. The independent producer must either abandon his properties or sell out at a sacrifice to these same powerful interests. When he does so the Standard group will own the supply of raw material as well as the refining, transporting, and marketing branches of the business. The independent producer and refiner have heretofore stood as a buffer, protecting the great American consumer from any possible monopolistic extortion. But the buffer state is crumbling. Every day that an oil tariff is postponed brings that much nearer a state of complete monopoly in the oil business.

Would the Congress expect the American consumer to be the beneficiary in such event?

PETITION.

To the FINANCE COMMITTEE OF THE UNITED STATES SENATE:

The producers of petroleum in the United States respectfully urge the Senate and House of Representatives to levy an import duty on petroleum and its products. As grounds for this request attention is respectfully directed to the following facts and considerations:

1. The independent domestic oil industry is in a critical condition. Overproduction in which is included imports, attended by underconsumption has so increased the stocks on hand and decreased the income of the operators as to cause demoralization. A tariff is requested not merely to prevent financial loss but, fundamentally, as a conservation measure, and for purposes of stabilization. Oil being a natural resource of limited quantity, and the business of producing it being one of the most hazardous attended with greatest risks and uncertainty, its quick restoration after an extended period of depression is difficult, if not impossible. This country can not, therefore, afford to permit known domestic sources of supply to be abandoned or lost through any preventable economic disease.

2. The oil industry, during the war, and, before the larger price advances, has been speeded up to meet domestic and allied demands. Huge sums were invested

in extensions of plants, acreage, and development, resulting in discovery of new producing areas and increased refining and marketing facilities. The annually recurring supply of crude oil now and hereafter available from wells drilled during that period of stimulation is an asset which should be utilized or conserved, but which will be largely dissipated or lost if a flood of imported oil is allowed to demoralize the industry so as to cause the abandonment of such wells by reason of inability to operate them at a profit. When once abandoned they can not, as a rule, be rehabilitated.

3. Since the European demand for petroleum and its products has seriously fallen off and since petroleum is a volatile product, the overproduction and storage of which involves a serious loss, it is necessary that there be a curtailment of production at the sources of supply in the Western Hemisphere. It would be unjust and uneconomic to ask the producers in the United States to curtail production while at the same time permitting the markets of the American producer to be supplied by an uncurtailed production in Mexico and other near-by countries.

4. The domestic production of crude petroleum in the United States now equals and probably will this year exceed by considerable amount, the domestic consumption. By "domestic consumption" we mean the consumption of petroleum and its products within the borders of the United States and do not comprehend within this term exports from the United States. It is not altogether improbable, however, that the domestic production for 1921 will be sufficient to supply both the domestic demand and the export trade. Under these circumstances the importation into the United States of great quantities of cheaply produced petroleum of other countries for other than export purposes is having and will continue to have a demoralizing effect upon one of the greatest of our domestic industries.

5. Foreign countries alone can not supply the United States with the petroleum products required. A policy on the part of this Government must be adopted insuring the people a supply of oil in the future. It is suicidal to place this country at the mercy of any foreign country for its supply of oil. Nature has given some foreign countries, Mexico and others, the cheapest kind of oil production. Mexico's average per well is 2,600 barrels per day. The average in the United States is less than five barrels. Admittedly we can not compete. On the other hand Mexico and all the other countries combined can not furnish the oil needed in the United States to-day, not to mention the future.

6. Right now the decision must be made by Congress determining whether or not the oil supply for this country shall come from the United States or foreign countries. It is not only the question of ruining all of the independent oil interests, but closing forever most of the producing wells of the United States. The producing formations in Mexico are of a totally different type than those of the United States. The Mexican production is yielded from salt water pressure and a very loose sand so that the oil is produced in huge volume at a very rapid rate followed by sudden cessation of production. Should Mexican production, therefore, suddenly cease after having caused the abandonment of a large number of American wells, this country would be left without an adequate supply of oil.

7. Unrestricted imports, resulting in decreasing domestic production, will tend to deliver control of the oil situation to the small but powerful group of producers of foreign oil. With the independent American producer eliminated, a foreign oil monopoly would assert itself, and, uncontrolled and uncontrollable by Congress, would exact tribute from American consumers far in excess of any possible increase of price that might result from the imposition of an import duty levied now and before American wells are abandoned.

8. The independent producer is now an important factor in domestic production. In 1919 he produced 80 per cent of the oil coming from wells in the United States according to figures compiled by the Federal Trade Commission. Official figures for 1920 are not available but it is reasonable to presume that he maintained his position during that year. He is now, however, being forced by low prices and foreign competition to sell his better properties to larger, better financed concerns and to abandon his older or less productive properties. A tariff is vitally necessary to the continued existence of the independent American oil producer and refiner and the healthy competition created by them in normal times.

9. Known domestic deposits of crude oil which have been tapped can only be obtained for use through continuous operation. The fugacious character of oil and the certainty of destructive water encroachment in abandoned or inoperative wells demonstrate this fact. Should imports so demoralize the market as to cause abandonment and consequent loss as above indicated what would this country do in case of war? It would be unfortunate to place this country in time of war at the mercy of foreign oil operators or foreign fields for a petroleum supply for its Army and Navy.

10. The United States is the greatest producer, refiner, and consumer of oil. At present, with conditions normal, production and consumption would be fairly well balanced. The oil is of high grade, yielding about the right proportions of gasoline, kerosene, fuel oil, and other refined products to supply the respective demands for each of said products. Mexican oil is of low grade, yielding little gasoline and huge quantities of other products. Its importation disturbs and disrupts an otherwise well nigh perfect equilibrium. It creates an oversupply of some of the lesser important refined products but does not cheapen the price of gasoline to the American consumer. By adding to the overstock of other products it tends to make gasoline (the active commodity) carry more and more of the cost of refining while the accumulations of gas, oil, fuel oil, etc., absorb and freeze up capital which might otherwise alleviate the present strained financial condition.

11. Products made from any imported oil are not distinguished from American oil products of that kind and do not sell at a lower price because of being made from imported oil. Foreign oil products sell on values established by American oils and not on any factor governing their own production or cost. Because of low initial cost and the integration of companies producing and refining it, foreign oil receives preference by refineries, causing a storing of American oil and a consequent backing up of domestic crude, stagnation of markets and deterioration in storage.

12. The cheap labor, rapid rate of production resulting in low cost per barrel, and nominal transportation costs enable producers of Mexican crude to offer their oil at principal American markets at less than American operators can produce oil and pay a living wage to American workmen. The production of petroleum as a factor in the total employment of labor is important in New York, Pennsylvania, West Virginia, Ohio, Indiana, Illinois, Colorado, Montana, Idaho, Kentucky, Tennessee, and Arkansas, and is a principal factor in Kansas, Oklahoma, Texas, Louisiana, California, and Wyoming. When we add to this list the States in which refineries are located we find that 30, or a majority of the States, of the Union, are interested in producing or refining or both; so that territorially as well as numerically this country and its citizens are interested in having the domestic oil business stabilized.

13. A tariff on imports of petroleum is important from the aspect of the revenue it will produce. When we consider that total imports of crude and refined oil in 1920 exceeded 108,000,000 barrels and on the basis of the first three months of 1921 will exceed 150,000,000 barrels this year, it becomes at once apparent that enough revenue will be created to allow Congress to dispense with some of the more obnoxious domestic or internal taxes now in force.

14. Finally, with the United States occupying a position of preeminence in the oil industry of the world, which commanding place has been made possible by the activity and funds of the domestic producer and investor, it would seem unwise and uneconomic, if not ungrateful and inconsiderate, for the Government to adopt a policy of encouragement of the development of foreign oil fields by a few to the distinct embarrassment, loss, and possible annihilation of the independent domestic industry. Such would be the result of a policy of free trade and the donation of the great American market to investors in foreign fields in a mistaken attempt to attain control of foreign supplies at the expense of home production. We claim American markets for American producers by right of creation and past faithful, efficient service in peace and in war.

We are submitting herewith certain statistical facts and information in support of the proposition above stated.

TARIFF COMMITTEE MID-CONTINENT OIL & GAS ASSOCIATION,
By HARRY H. SMITH, *Secretary*.

STATEMENT OF FACTS.

At the end of 1920 there were between 247,432 and 258,000 oil wells in the United States (slightly different estimates being made by different authorities) which during that year produced a total of 443,402,000 barrels of crude petroleum, or an average, per well, per day of 4.9 barrels. This includes the new wells with "flush" production as well as old ones with "settled" production. One hundred and twenty thousand of these wells were located in the eastern States of New York, Pennsylvania, Ohio, and West Virginia, which are the older fields and where the production is nearly all settled—some of it extremely old. These eastern wells produced an average total of 65,000 barrels per day of very high grade oil. The average was, therefore, 0.54, or about a half barrel per well per day. As illustrating what a great volume of American oil comes from the small wells in the aggregate as distinguished from the few

large gushers, it is interesting to note that 203,375 wells produced 177,200,000 barrels, or 40 per cent of the total production. This was an average of 2.4 barrels per day for these wells.

In the mid-continent field, which is the largest light oil producing area in the United States, and consists of the States of Oklahoma, Kansas, north central Texas, and north Louisiana, 249,000,000 barrels were produced. This constituted 56 per cent of the total production of the country and about 75 per cent of the light oil production.

California is the remaining major producing district. It yielded 105,688,000 barrels in 1920, a considerable portion of which was of the lower grades, i. e., containing less than 20 per cent gasoline. Kentucky, Wyoming, Arkansas, and Montana contain active new fields, while in Illinois, Indiana, and Ohio are certain old producing areas where the annual recovery per well is small.

The price of Pennsylvania crude which reached \$6.10 per barrel in 1920, has fallen to \$2.50 during the last five months. The greater part of the oil in the mid-continent field brought \$3.50 per barrel in 1920 and ranged from \$2.00 to \$2.75 during 1918 and 1919. On January 24, 1921, the price of mid-continent crude fell to \$3. One week later, on January 31, the price was again cut to \$2.50. February 4, only four days later, it was reduced to \$2; on February 9, to \$1.75; on May 2, to \$1.50; on June 4, to \$1.25, and on June 15, to \$1. In addition to the price cuts, the pipe line companies and principal purchasers announced in December that they could no longer take all of the oil produced in the mid-continent field and, consequently, made reductions in the amounts they were taking, which reductions ranged from 30 to 50 per cent, leaving the remainder to accumulate on the leases and in temporary storage, this causing an enormous waste from evaporation. These curtailment orders remained in effect until March when they were tentatively abrogated. But unless the situation immediately improves there is danger of them being reinstated.

The major portion of the crude oil of the mid-continent field and of the fields east of the Mississippi River is conducted by pipe lines to Gulf ports and the Atlantic seaboard where it enters into competition with imported oil in the refinery markets. The pipe lines are owned and operated, in the main, by the Standard Oil Co. or their subsidiaries and a few other large companies, most of whom are also refiners of oil and, almost without exception, also heavy producers of Mexican oil which they bring to their refineries at the Gulf and Atlantic ports in their own tankers. They are, therefore, in position to discriminate against domestic oil and cause it to "back up" by displacing it with their own cheaper imported oil.

The consumption and export of crude and refined petroleum in and from the United States in 1920 was the greatest in the history of the country, yet the imports from Mexico became so heavy in the last few months of that year as to create an oversupply of total available oil. That the present oversupply and the consequent backing up of domestic crude and the heavy price reductions are traceable to the influx of foreign crude is demonstrated by statistics hereinafter set forth.

Prices of domestic crude are now below the actual cost of production. By this statement we desire to be understood as asserting that the most competent and efficient producer who has a representative number of wells in various fields, some of which are old and of small production per well, and others of which are new with large initial production, will find that his average cost per barrel of oil produced from all his wells is greater than the selling price. Of course a few wells which are new and in the flush production stage of a particularly prolific area will show an apparent profit at present prices, but it is not the flush production which constitutes the backbone of our domestic supply. As heretofore pointed out, it is the aggregate of the settled production of many small wells. These wells are now causing their owners to lose money and, unless conditions improve, will soon have to be abandoned. There are over 200,000 of these wells. In addition to the oil, these older wells yield the principal portion of the rich "casinghead gas" which is utilized in manufacturing gasoline directly from natural gas, a source of supply by no means unimportant, but which would be lost by abandonment of the wells as oil producers.

As a result of the price recessions and the generally demoralized condition, the domestic oil producing industry is over 50 per cent shut down as to new development and exploration work. Thousands of laboring men, drillers, tool-dressers, and office men are out of work and are petitioning Congress for relief. Independent concerns are daily going into bankruptcy and the losses and shrinkage in capital and potential production can not be adequately described. With this shutdown among domestic producers, it is deemed only fair that proper steps should be taken to force a curtailment of new operations in the foreign sources of supply, which compete in the American markets, until consumption revives.

STATISTICAL ANALYSIS OF THE OIL INDUSTRY WITH SPECIAL REFERENCE TO IMPORTS.

The United States is producing crude oil at the present time at an annual rate of approximately 465,000,000 barrels and is consuming petroleum and its products within its own borders at an annual rate of 400,000,000 barrels. Adding exports to domestic consumption we have an indicated present annual rate of consumption and exports of 481,659,110 barrels. Statistics of the past three years on this subject, including crude and all its liquid products, are here given, in barrels of 42 gallons, for the purpose of comparison.

	Production.	Imports.	Total.	Consumption and exports.
1918.....	358,927,716	38,943,635	394,871,351	413,423,512
1919.....	377,219,000	54,161,218	431,880,218	426,449,543
1920.....	443,402,000	108,793,937	552,195,937	524,313,006
1921 (estimated).....	462,345,500	151,026,780	613,372,280	481,659,110

Imports of crude oil in 1920 amounted to 106,175,000 barrels, which was an increase of 100 per cent over the previous year. The major portion of this increase, however, occurred in the latter part of 1920. During the first six months of the year these imports averaged about 6,000,000 barrels per month, but in August they exceeded 10,000,000 barrels, and reached 13,000,000 barrels in November. It will be remembered that August, the month of alarming increase in petroleum imports, was also the first month to witness a slackening in the demand for domestic petroleum products, and that this demand continued to decrease as the imports increased.

The imports of crude oil by months during 1920 and to and including March, 1921, were as follows:

Imports and exports of mineral crude oil in barrels of 42 United States gallons.

[U. S. Geological Survey.]

Month.	Imports.	Exports.	Excess of imports over exports.	Month.	Imports.	Exports.	Excess of imports over exports.
1920.				1920.			
January.....	6,294,000	429,000	5,865,000	November.....	13,750,000	635,000	13,115,000
February.....	4,940,000	797,000	4,143,000	December.....	12,846,000	690,000	12,156,000
March.....	6,303,000	862,000	5,441,000	Year.....	106,175,000	8,045,000	98,130,000
April.....	6,186,000	640,000	5,547,000	1921.			
May.....	6,966,000	703,000	6,263,000	January.....	13,192,000	735,000	12,457,000
June.....	8,120,000	576,000	7,544,000	February.....	11,384,000	769,000	10,615,000
July.....	6,768,000	686,000	6,082,000	March.....	12,303,000	728,000	11,575,000
August.....	10,791,000	532,000	10,259,000				
September.....	11,650,000	736,000	10,914,000				
October.....	11,361,000	749,000	10,612,000				

Rates at which imports are increasing.—The following discussion is taken from the report of the Federal Trade Commission of June 1, 1920, with the figures and comparisons brought down to date:

"Crude oil has been imported into this country at a markedly increased rate since 1910. Prior to 1910 occasional importations of crude oil and more frequently of some special refined petroleum products had been received for many years in the United States, but without any particular bearing upon the trade. In 1910 the imports were reported as 571,000 barrels. In 1919 the imports amounted to 52,747,000 barrels, and in 1920 to 106,175,000 barrels, which came almost entirely from Mexico.

"The production of oil in Mexico more than doubled during the 4-year period, 1916-1919. In 1916 the production of Mexico was 39,817,000 barrels, in 1919 it reached a level of 87,359,000 barrels, and in 1920, 163,540,000 barrels. Over 60 per cent of the oil produced in Mexico during 1919 and 1920 was imported into the United States.

"The production of oil in Mexico has been developed almost entirely by foreign interest. American companies at present produce between 65 and 70 per cent of it. Because of the close identification of American companies to the production of oil in Mexico, of which so great a part is consumed in the United States, any conditions interfering with the production of Mexican crude oil have a pronounced effect on the market conditions of the oil industry of this country. The oil produced in Mexico has been primarily used for fuel purposes."

Imports of crude oil into the United States, by years, 1910-1920.

Year.	From Mexico.		From other countries.		Total barrels.
	Barrels.	Per cent.	Barrels.	Per cent.	
1910.....	(1)	.....	(1)	.....	571,000
1911.....	(1)	.....	(1)	.....	1,561,000
1912.....	(1)	.....	(1)	.....	6,911,000
1913.....	(1)	.....	(1)	.....	16,978,000
1914.....	(1)	.....	(1)	.....	16,913,000
1915.....	17,478,000	98.36	661,000	3.64	18,139,000
1916.....	20,128,000	98.77	672,000	3.23	20,797,000
1917.....	30,048,000	99.74	79,000	.26	30,127,000
1918.....	37,719,000	99.95	17,000	.05	37,736,000
1919.....	52,662,000	99.84	85,000	.16	52,747,000
1920.....	108,175,000	100.00	(2)	.....	108,175,000

¹ Not shown separately.² Negligible.

"As shown by the above table, the annual imports are greater than the annual increases in domestic production. Thus, for instance, in 1919 the increase in domestic production over 1918 amounted to 21,791,000 barrels, whereas the imports of crude oil amounted to 52,747,000 barrels. In 1920 domestic production increased 65,883,000 barrels and Mexican imports were over 108,000,000.

"The figures of imports from Mexico are shown in detail, by months, for 1918, 1919, and 1920, as follows:

Imports of crude oil into the United States from Mexico, by months, 1918-1920.

Month.	1918	1919	Increase of 1919 over 1918.	Per cent.
January.....	2,922,097	3,899,376	1,677,279	75.48
February.....	2,128,006	3,655,543	1,527,537	71.78
March.....	2,597,141	2,492,800	935,639	36.50
April.....	2,948,037	3,970,195	1,124,158	39.50
May.....	3,621,867	4,743,396	1,121,508	30.96
June.....	2,814,538	4,703,212	1,788,674	61.37
July.....	2,836,702	4,462,910	1,627,208	37.38
August.....	4,686,695	4,143,445	53,850	1.32
September.....	3,804,810	4,405,096	900,196	25.68
October.....	3,675,024	5,898,200	2,211,266	60.17
November.....	4,240,631	4,938,891	598,260	13.78
December.....	2,683,616	4,330,576	1,646,960	45.15
Adjustment.....		29,965	29,965	.....
Total.....	37,719,084	52,661,534	14,942,450	39.62

Month.	1920	Increase of 1920 over 1919.	Per cent.	Month.	1920	Increase of 1920 over 1919.	Per cent.
January.....	6,293,352	2,393,976	61.39	August.....	10,791,000	6,647,555	160.44
February.....	4,939,913	1,284,570	35.13	September.....	11,650,000	7,244,994	164.47
March.....	6,502,835	3,010,635	86.18	October.....	11,361,000	5,494,710	93.35
April.....	6,188,000	4,218,806	106.18	November.....	13,750,000	8,611,119	178.40
May.....	6,966,000	2,222,805	46.85	December.....	12,847,355	8,476,874	194.40
June.....	8,120,000	3,416,788	72.65	Total.....	108,175,000	53,513,466	101.62
July.....	6,768,000	2,308,080	51.65				

Month.	1921	Increase over 1920.	Per cent.
January.....	13,191,929	6,989,577	109.62
February.....	11,384,245	6,444,332	130.45
March.....	12,303,000	5,800,000	92.7

"The total imports of crude from Mexico increased during 1919 over 1918 by 14,942,450 barrels, or over 39 per cent. In 1920 the increase was 53,428,000 barrels, or over 100 per cent."

For the first three months of 1921 the increase was over 100 per cent over the same period of 1920.

What the present rate of excess of production and imports will do to us.—Basing an estimate of the domestic production and imports of petroleum for the year 1921 upon the rate obtaining during the first 90 days of the year an indicated supply of new available oil from production and imports of 613,372,280 barrels is shown. In other words, if production keeps up throughout the year as it did through January, February, and March, and if imports of crude are maintained at the same rate, we will have available new oil in 1921 of over 613,000,000 barrels. This would greatly exceed the total consumption and exports of the banner year of 1920. But the outlook is even worse than that. Based upon the figures of the first quarter the consumption and exports of petroleum in 1921 would only amount to 481,659,110 barrels, showing a possible excess of production and imports of 131,713,170 barrels. These figures may be tabulated as follows:

	Barrels.
Available new oil in 1920:	
Domestic production.....	443,402,000
Imports of crude.....	106,175,000
Imports of refined.....	2,618,837
Total.....	552,195,837
Consumption and exports.....	524,313,006
Increase of all stocks, 1920.....	27,882,831

Available new oil in 1921:	
Domestic production and imports at annual rate of first quarter.....	613,372,280
1921 consumption and exports based on first quarter.....	481,659,110
Possible increase of stocks in 1921.....	131,713,170
Add all stocks Jan. 1, 1921.....	221,459,926
Total stocks Jan. 1, 1922.....	353,173,096

Or nearly enough to take care of our strictly domestic needs for another subnormal year without producing any oil.

It is apparent that imports will increase in volume in 1921 over 1920. Basing a computation upon what occurred during the first quarter of this year, we are able to make the following forecast for the year 1921:

	Barrels.
Domestic production at annual rate of first quarter, 1921.....	462,345,500
Imports at annual rate of first quarter.....	151,026,780
Total available crude oil.....	613,372,280
Consumption at annual rate first quarter.....	481,659,110
Remainder unused.....	131,713,170

On the theory that imported petroleum will be practically all utilized by refiners and others because of its cheapness, as it was last year, the result would be as follows:

	Barrels.
Indicated domestic consumption and exports, 1921.....	481,659,110
Imported oil used, 31.3 per cent of consumption.....	151,026,780
Domestic oil used, 68.7 per cent of consumption.....	330,632,330
Total domestic production.....	462,345,500
Consumed as above indicated.....	330,632,330
Left to go to storage.....	131,713,170

This would be the greatest accumulation of stocks in any one year in the history of the industry.

From the foregoing tables it can be seen that—

1920 available oil was 127.9 per cent of 1919.

1920 domestic production was 117.4 per cent of 1919.

1920 imports were 200.9 per cent of 1919.

1920 consumption and exports were 123 per cent of 1919.

1921 available oil will be 111 per cent of 1920.

1921 domestic production will be 104.3 per cent of 1920.

1921 imports will be 139 per cent of 1920.

1921 consumption and exports will be 91.9 per cent of 1920.

Displacement of domestic by foreign oil.—It is probably not possible to accurately estimate to what exact extent Mexican oil has supplanted domestic oil in American markets, but the following facts appear on the face of the statistics. The computation takes into account the increase in refinery stocks of crude and refined products in an endeavor to find true consumption of the calendar year 1920 and the extent to which imported petroleum displaced domestic:

	Barrels
Domestic production of crude in 1920.....	443,402,000
Minus increase of domestic pipe line and tank farm stocks.....	5,823,000
Net deliveries of domestic crude to refiners and consumers.....	<u>437,579,000</u>
Total imports of crude.....	106,175,000
Less increase stocks of crude in hands of importers.....	4,523,000
Net deliveries of imported crude.....	<u>101,652,000</u>
So-called "consumption" of crude (total).....	<u>539,231,000</u>
(NOTE.—This includes total crude exports of 8,045,000 barrels.)	
Deduct—	
(a) Increase of refiners' stocks of crude.....	8,117,295
(b) Increase of refiners' stocks of refined products.....	9,419,536
	<u>17,536,831</u>
Remainder.....	521,694,169
Add imports of all refined products.....	<u>2,618,837</u>
Net total consumption and exports (corrected).....	524,313,006
Domestic production of crude (deduct).....	443,402,000
Excess of consumption and exports over domestic production.....	80,911,006
Assuming that imports caused all increases in stocks as above set forth, the following possible disposition of imports is indicated:	
	Barrels.
To make up deficiency in domestic production.....	<u>80,911,006</u>
Domestic oil possibly displaced by imports:	
Pipe line and tank farm stock increase.....	5,823,000
Refinery crude stocks increase.....	8,117,295
Refinery refined stocks increase.....	9,419,526
Total displacement.....	<u>23,359,831</u>
Remaining in hands of importers.....	<u>4,523,000</u>
Total.....	<u>108,793,837</u>
Imports:	
Crude.....	103,175,000
Refined.....	2,618,837
	<u>108,793,837</u>

If we concede that 23,359,831 barrels of domestic oil which otherwise might have found a market was displaced by imported petroleum, we find that this amount equals 5.2 per cent of the total domestic production and 4.4 per cent of total consumption, or 4.2 per cent of the total available crude oil of that year.

But 1920 is no criterion on which to base an estimate for 1921, because, as before stated, the imports did not assume alarming proportions until the latter part of 1920. The entire aspect of the situation has been changed by the two factors of largely increased imports and diminished demand, which it is now certain will exist in 1921. Making a similar computation for a more up-to-date period, to wit, from April 1, 1920, to April 1, 1921, we find a significant change and tendency:

	Barrels.
Domestic production of crude Apr. 1, 1920, to Apr. 1, 1921.....	455, 075, 000
Minus increase of domestic pipe line and tank farm stocks.....	22, 149, 000
<hr/>	
Net deliveries of domestic crude to refineries and consumers.....	432, 926, 000
Total imports of crude.....	128, 583, 940
Less increase of stocks of crude in hands of importers.....	11, 799, 000
<hr/>	
Net deliveries of imported crude.....	116, 784, 940
<hr/>	
So-called "consumption" of crude (total).....	549, 710, 940
(NOTE.—This includes total crude exports of 8,189,000 barrels.)	
Deduct—	
(a) Increase of refiners' stocks of crude.....	6, 800, 799
(b) Increase of refiners' stocks refined products.....	24, 367, 903
	<hr/>
	31, 168, 702
Remainder.....	518, 542, 238
Add imports of refined products.....	3, 265, 449
<hr/>	
Net total consumption and exports (corrected).....	521, 807, 687
Domestic production of crude (deduct).....	455, 075, 000
<hr/>	
Excess of consumption and exports over domestic production.....	66, 732, 687
Assuming that imports caused all increases in stocks as above set forth, the following possible disposition of imports is indicated:	
	Barrels.
To make up deficiency in domestic production.....	66, 732, 687
Domestic oil possibly displaced by imports:	
Pipe line and tank farm stock increase.....	22, 149, 000
Refinery crude stocks increase.....	6, 800, 799
Refinery refined stocks increase.....	24, 367, 903
	<hr/>
Total displacement.....	53, 317, 702
Remaining in hands of importers.....	11, 799, 000
<hr/>	
Total.....	131, 849, 389
<hr/>	
Imports:	
Crude.....	128, 583, 940
Refined.....	3, 265, 449
	<hr/>
	131, 849, 389

The indicated displacement of 53,317,702 barrels of domestic oil here shown may contain a slight element of error due to the possibility that the increase of refiners' stocks of refined oil may contain a small amount derived from Mexican crude, but it is safe to indulge the presumption that, owing to the greater margin of profit to the refiner inherent in imported oil, practically all of it was marketed and a negligible amount stored. Furthermore, one of the largest constituent items is domestic pipe line and tank farm stocks of crude which, of course, contains no imported oil whatever. Also much of the increase of refinery stocks is in the interior where imported oils do not penetrate.

The displacement during this period was practically 12 per cent of the total production of domestic crude. It was more oil than was produced east of the Mississippi River, or 21 per cent of the mid-continent production during the calendar year 1920.

This shows the tendency but the period used still contains several months of last year during which imports were not great. As hereinbefore pointed out, a computation based on the first quarter of this year will show a displacement during a full annual period of heavy imports of over 100,000,000 barrels, or about 25 per cent of domestic production.

Total exports of crude and all refined petroleum products from this country in 1920, including fuel oil to bunker ships engaged in foreign trade, approximated 100,000,000 barrels of 42 gallons each. Deducting this amount from the total of domestic consumption and exports of 1920 (524,313,000), would leave 424,000,000 barrels as "domestic consumption," which was about 20,000,000 barrels less than the domestic crude production of 443,402,000 barrels. In other words, in the calendar year 1920

we produced more oil than we consumed within the country by 20,000,000 barrels, and in the fiscal year ending April 1, 1921, we produced about 33,000,000 barrels more than we consumed within our borders. Since production is now increasing faster than consumption, while exports are decreasing, the indications are that, in the calendar year 1921, we will produce enough oil to equal both domestic consumption and exports.

The "deficiency" mentioned in the foregoing computations (30,000,000 barrels in the calendar year 1920, and 66,732,000 barrels in the fiscal year ending April 1, 1921), is the indicated amount by which domestic production failed to equal the total domestic consumption plus exports during those periods. As just stated, it is probable that such a deficiency will cease to exist in 1921, but if not, it will be due to a large export trade. Tariff laws customarily provide for a rebate of the duties paid on imported raw material which is manufactured or refined here and then exported. Should the new tariff law contain such a provision and should foreign crude be needed for the export trade, its utilization for that purpose would not be interfered with, neither would refineries have to move to foreign countries.

CLASSIFICATION OF MEXICAN EXPORTS, 1920.

(a) By countries:

Mr. George Blardone, the Oil and Gas Journal correspondent in Mexico, is authority for the following classification of shipments from Mexico to other countries:

"Shipments of petroleum in tankers during 1920 totaled 153,332,508 barrels, an increase over the 1919 movements of 72,630,728 barrels. It is impossible to arrive at the exact volume exported, owing to the fact that the shipments dispatched coastwise are (with the exception of a few cargoes of fuel oil for Vera Cruz) consigned to Mexican Eagle Oil Co.'s refinery at Minititlan, in the Isthmus of Tehautepec, where it is refined, and part of it finds its way abroad as refined products, and part is perforce credited to domestic consumption. Figures giving the exact division of this isthmus-consigned crude are not at hand. Assuming, however, that 50 per cent of these coastwise shipments are eventually exported, the exportations of petroleum from Mexico in 1920 (including bunkering to foreign-bound steamers) was approximately 150,122,812 barrels."

By port vessel shipments during the past year were as follows:

	Barrels.
From Tampico.....	89, 924, 729
From Port Lobos.....	44, 620, 905
From Tuxpam.....	18, 786, 874
Total.....	153, 332, 508

The movement was divided as follows:

	Barrels.
To the United States ¹	111, 876, 432
To South America (both coasts) ²	13, 052, 685
To Cuba and other West Indies.....	5, 754, 903
To United Kingdom.....	5, 597, 019
To Mexican coastwise.....	6, 419, 393
To Canada.....	2, 131, 147
To the Continent.....	2, 119, 899
To North Africa and Egypt.....	733, 888
To Central America (both coasts).....	661, 535
To Canary Isles.....	47, 260
To Malta.....	41, 952
To bunkers (to balance).....	4, 895, 495
Total.....	153, 332, 508

¹ Includes Panama.

² Includes insular possessions.

(b) By companies:¹

	Cubic meters.	Per cent of total.
English Oil Co. (Mexican-Panuco Oil Co.).....	6,088.31	0.02
Cia. Arrendadora de Mexico y Boston.....	6,319.02	0.02
Continental Mexican Petroleum Co. (General Petroleum Co.).....	22,402.16	0.09
Interocean Oil Co.	72,232.07	0.31
Cia. Terminal Union (Texas-Mexico Fuel Oil Co.).....	72,350.69	0.31
Cia. Petrolera Tal Vex. S. A. (Scotch-Mexican Oil Co.).....	91,301.07	0.39
Panuco Boston Oil Co. (Atlantic Refining Co.).....	113,684.31	0.49
Cia. Productora de Petr. "La Atlantica".....	134,446.29	0.58
Mexico and Canada Oil Co. (New England Oil Corp.).....	176,384.21	0.76
New England Fuel Oil Co. (Magnolia operates).....	182,910.18	0.79
National Petroleum Corp. (Doherty).....	197,077.21	0.85
National Oil Co. (New York).....	208,496.72	0.90
Pierce Oil Corp.	354,304.56	1.53
Cia. de Petroleo "La Corona" (Dutch Shell).....	481,316.95	2.08
East Coast Oil Co. (Sou. Pac.).....	892,874.30	3.86
Penn. Mex. Fuel Co. (Standard).....	1,009,291.43	4.36
Cias. del Agwl.....	1,041,223.08	4.50
Cortez Oil Corp. (Atlantic Ref. Co.).....	1,164,898.67	5.03
Freeport and Mexican Fuel Oil Co. (Sinclair).....	1,232,263.41	5.32
Mexican Gulf Oil Co. (Gulf Oil Corp.).....	1,634,262.24	7.06
The Texas Co., of Mexico, S. A. (Texas Co.).....	1,818,923.47	7.86
Cia. Metropolitana de Oleoductos.....	1,940,564.43	8.38
Cia. Mexa de Petr. "Elagula" A. A.	2,570,188.88	11.11
Cia. Transcontinental de Petr. (Standard Oil Co.).....	3,666,078.31	15.84
Hauteca Petroleum Co. (Doheny).....	4,043,542.14	17.47
Total.....	* 23,133,378.23	100.00

¹ Mexican Government statistics.

* Total equals 145,508,949.07 barrels.

(c) By products:¹

	Amount in customary units.	Cubic meters.	Per cent of total volume.
Panuco crude..... barrels..	35,014,520	5,566,696.37	24.06
Tuxpam crude..... do....	64,081,656	10,187,862.59	44.04
Fuel oil..... do....	39,886,188	6,341,206.31	27.41
Gas oil..... do....	40,357	6,416.05	0.02
Crude gasoline..... gallons..	187,720,956	710,606.64	3.07
Refined gasoline..... do....	31,590,418	119,545.82	0.51
Crude kerosene..... do....	907,315	3,434.59	0.01
Refined kerosene..... do....	28,563,024	108,123.65	0.46
Lubricants..... do....	4,298,016	16,280.28	0.07
Asphalt..... tons..	86,879	73,216.28	0.31
Total.....		* 23,133,378.23	100.00

¹ Mexican Government statistics.

* Total equals 145,508,949.07 barrels.

REFINERIES USING MEXICAN CRUDE.

(1) In Mexico:

The number and capacity of refineries located in Mexico now in operation and those under construction and those projected as of January 31, 1921, are reported by the Mexican Government as follows:

Refineries in operation.

Company and location.	Daily capacity.	Character of plant.
	<i>Cubic meters.</i>	
Compana Mexicana de Petroleo El Agulla, S. A.:		
Dona Cecilia.....	7,000	Complete refinery.
Tampamachoco.....	2,384	Topping plant.
Minatitlan.....	1,920	Complete refinery.
Huasteca Petroleum Co.:		
Pueblo Viejo.....	11,900	Topping plant.
Juan Casiano.....		Casinghead plant.
Penn. Mex. Fuel Oil Co., Alamo.....		Do.
Pierce Oil Corporation:		
Arbol Grande.....	1,800	Complete refinery.
Veracruz.....	80	Do.
Standard Oil Co., Pueblo Viejo.....	2,084	Topping plant.
The Texas Co., of Mexico, S. A.:		
Las Matillas.....	1,500	Do.
Agua Dulce.....	2,240	Do.
Compania Productora y Refinadora La Atlantica, Mata Redonda.....	1,037	Do.

¹ Capacity stated as of August, 1920.

² Capacity stated as of August, 1920, but expected to be doubled by end of 1920.

Total of above equals 208,000 barrels daily.

Refineries under construction.

Company and location.	Minimum daily capacity authorized.	Character of plant.
	<i>Cubic meters.</i>	
Compana Mexicana Refinadora Island, Agua Dulce.....	750	Topping plant.
Compania Refinadora del Agwi, Tecamate, San Nicolas y Mata Redonda.....		Complete refinery.
Continental Mexican Petroleum Co., El Higueron lote 52 fracciones 48 y 49 de Pueblo Viejo.....	1,500	Do.
Petroleum Maatschappij La Corona, Pueblo Viejo.....	795	Do.
Compania Mexicana de Petroleo El Agulla, S. A., Los Naranjos, lote 100 de Amatlan.....	70	Casinghead plant.

Total of above equals 20,159 barrels daily.

Refineries projected.

Concessionaire.	Location.	Minimum daily capacity authorized.
		<i>Cubic meters.</i>
Joseph Elsner Vel Shaller.....	Mata Redonda.....	378
Compania Terminal de Lobos S. A.....	Terminal de Vinas Panuco..	500
Modesto C. Rolland.....	Puerto Progresso.....	100
Abelardo Monges Lopez.....	Pueblo Viejo.....	(1)

¹ Not known.

(2) In United States:

The Bureau of Mines reports that during the year 1920 the petroleum refineries in the United States ran an average of 167,000 barrels of Mexican crude per day, or approximately 61,136,210 barrels of crude and 2,513,074 barrels of Mexican tops,

through the stills. This total of 63,649,234 barrels of crude and tops was 11.58 per cent of the total available oil in the United States during that year and 14.7 per cent of the total crude oil run through stills of United States refineries.

Quality and products of Mexican oil.—The northern fields of Mexico produce a heavy oil ranging from 10° to 18° gravity by Baumé scale. The south fields produce a lighter oil, of about 20° gravity. The imports into this country are classified in this respect as follows:

	Percentage of total imports.		
	December, 1920.	January, 1921.	February, 1921.
Light Mexican crude oil.....	61	61	61
Heavy Mexican crude oil.....	23	22	25
Topped Mexican crude oil.....	16	17	14

While the total 1920 imports of crude, amounting to 106,175,000 barrels, is usually credited to Mexico because the imports from other countries are negligible, the following from the Bureau of Mines uses the exact figure of 106,163,115 barrels as the Mexican crude imported and makes the following analysis:

	Barrels.
Mexican crude oil imported.....	106,163,115
Mexican gasoline imported.....	1,096,812
All other oils imported.....	1,521,737
Total.....	108,781,664

Mexican crude oil, 106,163,115 barrels, subdivided as follows:

Mexican oil refined, 61,136,210 barrels (all light crude, 20-21° Baumé):	
90 per cent yields—	Barrels.
Gasoline, 12 per cent.....	6,600,000
Gas oil, 5 per cent.....	2,750,000
Fuel oil, 81 per cent.....	44,500,000
Loss, 2 per cent.....	1,150,000
10 per cent yields—	
Gasoline, 15 per cent.....	920,000
Gas oil, 6 per cent.....	370,000
Fuel oil, 54 per cent.....	3,310,000
Lubricating oil, 5 per cent.....	310,000
Coke, 10 per cent.....	614,000
Asphalt, 5 per cent.....	310,000
Loss, 5 per cent.....	302,210
Mexican tops, 2,513,074 barrels, which yields:	
Gasoline, 75 per cent.....	1,882,000
Gas oil, 25 per cent.....	631,074

Mexican heavy crude, 42,513,831 barrels (12-13° Baumé), usually sold as fuel oil, which if refined would yield:

Gasoline, 3 per cent.
Gas and fuel oil, 92 per cent.
Loss, 5 per cent.

Mexican gasoline, 1,096,812 barrels, probably marketed direct as commercial gasoline.
All other oils, 1,521,737 barrels, probably sold as fuel oil.

The products made from Mexican crude oil vary according to the demand and prices for the various products. Obviously, it is impossible to predict the uses for Mexican petroleum during the next few years, but it is interesting to note the uses to which Mexican crude oil was put during 1920, when the following was imported from Mexico:

	Barrels.
Mexican crude oil.....	106,163,115
Mexican gasoline.....	1,096,812
All other oils.....	1,521,737
Total.....	108,781,664

Some of this was refined, while some was sold directly as fuel oil or gasoline. Careful estimates indicate that during 1920 the total (imported) petroleum or its products was consumed somewhat in the following form:

	Barrels.	Per cent.
Gasoline.....	10,498,812	9.66
Gas oil.....	3,751,074	3.45
Fuel oil.....	91,845,538	84.43
Lubricating oil.....	310,000	.28
Coke.....	614,000	.56
Asphalt.....	310,000	.28
Loss in refining.....	1,462,210	1.34
Total.....	108,781,664	100.00

Relative importance of refined products from Mexican oils, 1920.

	Gasoline.	Kerosene.	Gas and fuel oils.	Lubricants.
Total refined products produced in United States from United States and Mexican crude.....barrels....	118,251,009	55,240,000	207,694,000	24,921,000
From Mexican oils.....do.....	10,498,812		95,596,642	310,000
Per cent from Mexican oils.....	9.04		31.10	1.24

While the foregoing credits to Mexican sources 9.04 per cent of the gasoline supply of the United States in 1920, we respectfully submit that the computation does not give full effect to the gasoline made in this country directly from natural gas and known as "casinghead" gasoline, a large amount of which is sold without going through refineries. The gas from which this gasoline is made comes from oil wells in operation, and as a rule, the older the well the richer is the gas. Natural-gas gasoline is manufactured in compression and absorption plants located in the oil fields adjacent to the wells. It is of such high gravity and so volatile that it has to be blended with naphtha or other refined products to make it commercially usable. Such gasoline is important for two reasons. It is made from the gas which would otherwise escape into the air and be lost. Secondly, it furnishes a market for naphtha for blending purposes and thus helps prevent an over-accumulation of that product by converting it into one of the most valuable petroleum products, to wit, motor fuel:

The production of natural-gas gasoline in the United States was as follows:

	Gallons.
1917.....	217,884,104
1918.....	282,535,550
1919.....	341,000,000
1920 (estimated).....	425,000,000

Assuming that 200,000,000 gallons of this product were used by refineries for blending purposes and, therefore, would be included in the refinery and output mentioned above by the Bureau of Mines, we should have 225,000,000 as the amount marketed directly and should compute total available gasoline in the United States in 1920 about as follows:

	Gallons.
Refinery output.....	4,882,546,599
Casinghead not included in the above.....	225,000,000
Gasoline imported.....	46,066,104

Total..... 5,153,612,703

The amount derived from all Mexican sources, 10,498,812 barrels or 440,950,104 gallons, is 8.5 per cent of the total above shown.

Imports disturb equilibrium.—In a recently published statement by Mr. Mowry Bates, petroleum engineer of Tulsa, Okla., the assertion is made that continued heavy imports of the Mexican quality of oil will cause an abandonment of many American wells and eventually work to the disadvantage of the consumer of gasoline. After pointing out that 203,375 wells in the United States are now yielding an average of only

2.4 barrels per well per day and that they can not be operated at a profit with present crude prices. Mr. Bates continues as follows:

"The probable future production from 200,000 wells at 2 barrels per well, based on the production of the year before, is 800,000,000 barrels. Assuming the year 1919 to be a normal drilling year, it is estimated that 10,000 wells per year would go into the 2-barrel class. The future production from 10,000 wells of 2 barrels capacity per day would be 43,000,000 barrels. It is probable that there will be this number of wells going into this class each year in the future. From the 200,000 present wells and from 10,000 wells going into the 2-barrel class during this year could be derived 900,000,000 barrels future production now endangered by the probable abandonment of these wells due to the present low price of oil.

"On January 1, 1920, the balance of available oil supply in the United States, as estimated by the United States Geological Survey, is 5,914,000,000 barrels; 900,000,000 is 15.3 per cent of this total estimated reserve. As it is impossible to operate at a profit many wells under 2 barrels daily capacity at the present price of petroleum, there will undoubtedly be a large proportion of these 210,000 wells abandoned within the next year, unless there is some prospect of relief.

"There were run to the refineries of the United States during 1920, 433,915,029 barrels of crude oil, which produced the following products:

	Barrels.	Per cent.
Gasoline.....	116,251,110	26.81
Kerosene.....	55,216,538	12.72
Gas and fuel oil.....	210,986,931	48.60
Lubricants.....	24,921,627	5.75
Miscellaneous.....	7,795,864	1.80
Losses.....	18,742,939	4.32
Total.....	433,915,029	100.00

"The products from Oklahoma-Kansas grade of oil, which is typical of the light oils of the United States, during the month of March, 1921, are the following:

	Per cent.
Gasoline.....	35.8
Kerosene.....	12.1
Gas and fuel oil.....	41.8
Lubricants.....	2.5
Miscellaneous products.....	3.4
Loss.....	4.4
	100.00

"The products of Mexican oil as outlined in an unpublished tabulation of the Bureau of Mines during 1920, were as follows:

	Per cent.
Gasoline.....	9.66
Gas and fuel oil.....	87.88
Lubricants.....	.28
Miscellaneous.....	.84
Loss.....	1.34
	100.00

"The Kansas and Oklahoma grade of petroleum produces 35.8 per cent of gasoline, as shown by the Bureau of Mines returns in March, 1921. An unpublished statement of the Bureau of Mines assigns 9.66 per cent of the Mexican oil to gasoline. This makes a ratio of 3.7 per cent to 1. In other words, it takes 3.7 barrels of Mexican oil to make the same amount of gasoline that one barrel of Kansas-Oklahoma grade oil will make.

"The present producing fields in Mexico have to date produced approximately 500,000,000 barrels of oil. Various estimates place the future production of the present fields at anywhere from 325,000,000 to 500,000,000. There are two probable future fields known in Mexico which are now being tested. A liberal estimate of their probable production would be twice the probable total production of the present producing fields, or 2,000,000,000 barrels, making the total probable production of the present known and indicated areas in Mexico, 2,500,000,000 barrels.

"The foregoing facts present a very interesting point. It is evident that 80 per cent of the producing wells in the United States can not be operated at a profit under present

conditions. It is a fact that this 80 per cent are wells that are producing high-grade oil and are also contributing to the gasoline production through the medium of casing-head gas. During 1920 these wells produced probably 40 per cent of the gasoline produced in the United States. If the United States produced 91 per cent of the total consumption of gasoline, 36 per cent of the gasoline production, based on 1920 figures, is in jeopardy.

"As the estimated future production of these wells is 900,000,000 barrels, and as the ratio of gasoline content in domestic oil as compared to Mexican oil is 3.7 per cent to 1, it would take 3,300,000,000 barrels of Mexican oil to replace the amount of gasoline lost through the abandonment of these domestic wells. It must be understood that when a well is abandoned it can never be revived and the production is lost irretrievably.

"In 1920 the United States imported 108,000,000 barrels of crude oil from Mexico. This was 78 per cent of the total Mexican exports. At the present time we are importing 396,000 barrels daily and exporting a little, leaving a net excess of importations of 375,000 barrels per day, or at an annual rate of 136,000,000 barrels. If in the next year 50 per cent of the wells producing two barrels per day should be abandoned, it would be necessary, in order to meet our present gasoline requirements, to double the imports of 1920, or import at the rate of 212,000,000 barrels per year. Mexico is being operated at its capacity at present, and it would be a practical impossibility to replace the gasoline lost through the abandonment of these domestic wells by the importation of Mexican oil.

"The effect of the unlimited importation of Mexican oil will be to destroy this large percentage of high-grade gasoline producing domestic oil for future use. In addition thereto the total loss of the enormous amount of gasoline produced from the casing-head gas coming from such wells, which approximates 90 per cent of the total amount of casinghead gasoline. It is impossible to operate these small wells at the price crude will bring, as the refineries can not pay an adequate price for crude unless they receive a proportionate price for fuel oil or an excessively high price for gasoline.

"With these small wells abandoned and imports continuing we will face the condition of having an undersupply of gasoline and an overproduction of other refined products. The entire cost of refining will necessarily be borne by gasoline, and the price of necessity will be advanced to at least twice that of the present. The main suffering from the high price of gasoline will be borne by the truck users and the users of tractors.

"It is therefore evident that it is destructive to one of the great natural resources of the United States, demoralizing to one of the great American industries and an enormous burden to the commercial user of gasoline, to permit the free and unlimited importation of foreign oils. Such importations should be restricted, preferably through a tariff of \$1 per barrel."

Mr. Bates's contention that imports of low-grade crude do not help the gasoline supply, but add to the burden it must bear by piling up stocks of other refined products, seems to be borne out by the increases of refinery stocks of petroleum products during the year ending April 1, 1921. Although other factors such as the general business depression were undoubtedly responsible for much of the decrease in consumption and consequent accumulation of stocks, it is significant that stocks of gasoline only increased 14 per cent during this period, while the average of the rates of increase of other refined products was 72 per cent. Gas oil and fuel oil increased 73.3 per cent.

Producing conditions contrasted.—Of the total world production of petroleum the United States produced from 1857 to 1918, inclusive, 4,608,571,719 barrels, or 61.42 per cent. Mexico produced 3.8 per cent of the total of this period; Russia, 24.96 per cent; and no other one country produced as much as 3 per cent. For the years 1918 to 1920, inclusive, the percentages were as follows:

	1918	1919	1920
United States.....	69.15	69.4	61.4
Mexico.....	12.40	15.9	23.7
Russia.....	7.86	4.7	4.3

And no other country produced as much as 3 per cent.

While various vague and more or less conjectural estimates have from time to time been made concerning possible oil deposits of other countries, the only known and outstanding facts are that the United States is the world's mainstay as to petroleum production and known petroleum reserves, with Mexico as the only serious contender at present. This being fact and not theory, the question arises, how the Government could justifiably adopt a policy which might cripple and sacrifice the domestic in-

dustry in order to build up foreign fields, even though it might be done by American capital, and what the result of such a policy to this country might be in future.

This leads us to consider how reliable the production of Mexico may be as regards duration. For we must have a reliable supply elsewhere if imports are to be permitted through free trade to cause an abandonment of 200,000 American wells at this time.

The distinguishing feature of Mexican production is that it comes with a rush and completely disappears as suddenly as it came. This is due to salt-water pressure and salt-water encroachment. Present pools and near-by territory may produce a great volume of oil for the next four or five years (estimates by experts vary greatly), but at the end of that period Mexico may suddenly sink into comparative unimportance as an oil-producing country. This period would be sufficient to ruin our independent domestic oil industry, and what of the petroleum supply thereafter and before possible rehabilitation in this country?

Interesting facts concerning the characteristics of Mexican production were contained in a recent article by Mr. Ralph Arnold, well-known petroleum geologist. While developments occurring since Mr. Arnold wrote the following (January of this year) indicate that Mexico will produce more oil and do so over a longer period than he estimates, his observations are instructive. He says:

"In speaking of the oil fields of Mexico, I mean the important proven areas or pools. Outside of these there are many areas not only with strong possibilities, but with strong probabilities of eventually becoming commercially productive which on account of inaccessibility or poor prospects will probably amount to little in the near future. The oil occurs in a few pools, all of the important ones, with one exception, occurring on one long, narrow structure. The oil accumulates from vast areas into relatively very small productive areas or pools. It exists in cavernous reservoirs under such conditions of enormous pressure, unrestricted mobility, and easy availability as to enable its entire withdrawal from any of the important pools within a few months, under the intensive development campaign which has raged and is raging at the present time in the Mexican fields (95,000,000 barrels or two-thirds of the probable total were taken from Los Naranjos during the past year). Each well draws from the entire pool, so that the amount of oil each owner recovers depends entirely on the number of holes he has on his property. One owner, by intensive development, can force all other owners to a similar development, and hence quickly exhaust the pool. Such is the history of the pools in the last four years. The important point to remember, in direct contrast to conditions in the oil fields of the United States, is that the proven Mexican oil reserve is absolutely at the mercy of its exploiters and may all be exhausted in a few months or at most in one or two years at the promised rate of development.

Table of comparisons.

	United States.	Mexico.
Proven producing area.....square miles..	4,500	25
Production, 1920.....barrels..	443,402,000	185,000,000
Number producing wells.....	258,600	200
Average daily production per well.....barrels..	4.9	2,600
Proven oil reserve.....do....	5,000,000,000-6,000,000,000	300,000,000-400,000,000

"That is to say, Mexico with 0.6 per cent of the producing area, occupied by 0.7 per cent the number of wells of the United States, produces 40 per cent as much oil as the United States. The individual production of the wells averages 530 times greater in Mexico than in the United States. The proven oil reserve of the United States, according to the writer's estimate, is now fifteen times that of Mexico."

Cost of production.—The accompanying tabulation shows that the cost of drilling and completing an average 2,500-foot well in the mid-continent field has grown from \$12,727 in 1912 to \$32,401 in 1920. Deeper wells, which are increasing in number, cost from \$50,000 to \$90,000. This is true not only because of additional drilling, but because deep wells cost more per foot for the entire hole than shallower wells. Advices from Mexico are to the effect that Mexican wells have cost as high as \$150,000, but that the average now is from \$50,000 to \$60,000, including 8-inch gathering lines necessary to carry the heavy flow. Schedules of particular labor and material costs in the two countries are contained in the appendix. They show that certain classes of labor cost materially less in Mexico, while others are about the same as in this country. Material comes from the United States, hence probably costs as much or more per well as here. But these are not the controlling factors in the cost per barrel of oil. Rate of flow and number of wells necessary to produce a given amount of oil in a given period determine cost per barrel.

Mexican wells, as a rule, flow continuously under their own pressure from inception to conclusion. There is no necessity for pumps and pumping machinery or expensive cleaning-out operations such as attend all American wells after a few weeks of flush production.

Rate of flow, number of wells necessary for a given production, and cost of operation after the well comes in are all tremendous advantages of Mexican over domestic production. Let us illustrate: Mexico produced over 163,000,000 barrels of oil in 1920 from 184 to 200 wells, as above stated, or an average daily production per well of 2,420 or, according to Mr. Arnold, 2,600 barrels. Also recall that the average per well in the United States is less than five barrels per day. With an average cost of, say, \$60,000 per well, Mexico's 200 producing wells would represent an initial investment of \$12,000,000 in order to produce 163,000,000 barrels in the space of a year or 0.073 cents per barrel. In the United States, with an average of 5 barrels per well per day, it would require over 89,000 wells to yield 163,000,000 barrels in a year. Eighty-nine thousand wells at an average cost of \$20,000 each would represent an initial investment of \$1,780,000,000 or \$10.92 per barrel for one year's average production. The situation is relieved, of course, by the fact that even in this country most oil wells have a brief period of what is known as flush production when the per day average is greater. For instance, the field average initial production of new wells in the mid-continent field varies from about 100 to as high as 197 barrels per day. But this period is short lived and is followed by a period of from one to several years of rapidly decreasing production, attended by expensive periodical cleaning out, pumping, shooting and reshooting, which latter costs are nonexistent in Mexican fields.

The growing cost of drilling an oil well, 1913 to 1920, inclusive.

[From Petroleum Age, September, 1919.]

	1913	1914	1915	1916	1917	1918	1919	1920
Rig:								
Lumber for rig.....	400	506	552	667	839	1,069	1,200	1,450
Contract price for building rig....	175	175	175	200	210	250	300	600
Complete rig irons.....	405	383	305	482	636	683	700	950
	1,040	1,064	1,032	1,349	1,685	2,002	2,200	3,000
Drilling contract: Contract drilling, 2,500 feet.....	2,025	3,375	3,650	4,375	5,000	5,625	7,750	7,475
Labor:								
Contract day labor.....	800	850	900	1,000	1,200	1,375	1,800	1,650
Other well labor.....	276	314	296	296	395	500	750	725
Miscellaneous labor.....	139	158	149	149	178	225	275	275
	1,215	1,322	1,345	1,445	1,773	2,100	2,825	2,650
Engine:								
Gas engine and setting.....	615	615	615	685	935	1,200	1,500	1,656
Gas engine house.....	140	150	145	145	165	200	300	395
Setting gas engine.....	100	105	100	100	115	125	175	200
	855	870	860	930	1,215	1,525	1,975	2,251
Tanks and tank houses.....	830	875	850	900	1,200	1,500	1,750	1,950
Hauling.....	185	210	199	199	237	300	500	850
Miscellaneous material.....	650	725	800	900	1,080	1,200	1,500	1,750
Casing, rods and tubing, including working barrels.....	5,026	4,899	8,822	6,554	9,258	10,334	13,000	12,475
Total for complete well.....	12,727	13,309	13,648	16,642	21,448	24,577	31,500	32,401

Deeper drilling, especially in the many fields now producing below 2,500 feet, necessitates much increased prices per foot for the entire hole, as compared with the shallower wells.

To enable us to comprehend the importance of this rate-of-flow feature let us imagine that it were possible for Mexican farmers to grow wheat at a rate per acre five hundred times greater than American farmers. While American farmers were raising wheat at the rate of 20 bushels per acre per annum the Mexican farmers would be producing

10,000 bushels per acre per annum. Under these circumstances there could be no question but that wheat was being produced more cheaply in Mexico than here and also no question that unless protected by a tariff, the American wheat grower would be put out of business. But the oil situation is more serious. If there was a possibility of the heavy wheat production of Mexico falling off in four or five years the American farmer could devote his acres to raising some other crop during the interim and return to wheat raising when there was a demand for same. But the American oil producer can not shut in his wells and later reopen them. He must continue to pump them, else water encroachment will ruin them forever, thus causing the un-restorable loss of a natural resource.

Price received as an indication of cost.—There is no "posted price" for crude oil at the well in Mexico as there is in this country. The price at which oil is sold at the well is usually fixed by contract for particular lots or quantities. It has been reported in the trade journals of late that the heavy Panuco crude of 11° gravity was selling as low as 15 cents per barrel at the well and that the lighter southern crude of 20° gravity, which constitutes 61 per cent of the crude imported, had been selling at the well at from 40 to 55 cents per barrel for some time. If such prices have so stimulated production and development in Mexico it must be that oil can be produced there at such prices and at a profit.

But such a large portion of Mexican oil is produced, transported, refined, and sold by integrated concerns which conduct all operations from the drilling of the well to the retail sale of the product that it is difficult to arrive at the actual cost of laying down a barrel of Mexican crude in this country. Companies such as the Standard of New Jersey, Atlantic Refining Co., Sinclair, Texas Co., and several other large interests shown in the list of importers hereinbefore set forth, own their wells, pipe lines, barges, tankers, refineries, and even the retail establishments in this country where the oil is finally sold for consumption. Less than 10 such groups control the production and importation of oil from Mexico. With such integration the cost of transportation of the major fraction of the oil imported is very low, nowhere claimed to exceed 80 cents per barrel at North Atlantic ports for any of the oil and much less than that at Gulf ports. In this connection see the accompanying schedule of freight and pipe-line rates from the heart of the mid-continent field to various markets wherein it appears that the freight rate on a barrel of fuel oil to New York is \$2.38 and the pipe-line rate on crude to that point is 87½ cents from Oklahoma and \$1.25 from points in Texas.

Domestic production costs.—The cost of drilling an average 2,500-foot well in the mid-continent field was \$32,401 in 1920. Recent reductions in labor and material have reduced this 15 per cent to \$27,540.85. A compilation of other mid-continent production costs of 1920, based upon an actual examination of the books of 21 oil-producing companies and individuals, each of whom was a competent, well-equipped operator with a large number of wells of varying ages and localities, has just been completed by the Mid-Continent Oil and Gas Association. The 21 producers whose records were examined produced 25,860,403 barrels in 1920 from 8,628 wells located on 1,266 operated leases. The average cost figures per barrel were as follows:

Lifting expense.....	\$0.5222
Overhead expense.....	.2007
General expense, including lease rentals.....	.7041
Depreciation of machinery and equipment.....	.2454

Total, excluding depletion..... 1.6724

Adding depletion charges and certain items of development expense not capitalized, the total cost per barrel exceeded \$2.26.

These 21 operators produced an average per operator for the year of 1,231,448 barrels, or 8.1 barrels per well per day.

In Pennsylvania and other eastern fields where the average production is only half a barrel per well per day, the cost of production exceeds \$3 per barrel. This illustrates the fact that it is more expensive to produce oil from wells with a low rate of production.

While costs of production have declined in recent months about 15 per cent, the price of crude oil has been reduced 71 per cent.

Freight rates on petroleum products, Tulsa, Okla., to destination shown below, as of Mar. 25, 1921.

Destination.	Refined oil.	Fuel.	Crude.	Gas oil.
Kansas City, Mo.....	\$0.22½	\$0.22½	\$0.22½	\$0.22½
St. Louis, Mo.....	.83	.26½	.26½	.26½
Chicago, Ill.....	.40	.33	.33	.33
Cleveland, Ohio.....	.62	1.55	1.55	1.55
Cincinnati, Ohio.....	.57	1.50	1.50	1.50
Pittsburgh, Pa.....	.67	1.60	1.60	1.60
Buffalo, N. Y.....	.67	1.60	1.60	1.60
Albany, N. Y.....	.84½	1.77½	1.77½	1.77½
New York, N. Y.....	.89½	1.79½	1.79½	1.79½
Baltimore, Md.....	.83½	1.76½	1.76½	1.76½
Bellington, W. Va.....	.77	1.70	1.70	1.70
Boston, Mass.....	.83½	1.81½	1.81½	1.81½
Cumberland, Md.....	.77	1.70	1.70	1.70
Hagerstown, Md.....	.83½	1.76½	1.76½	1.76½
Norfolk, Va.....	.80	1.74	1.74	1.74
Philadelphia, Pa.....	.84½	1.77½	1.77½	1.77½
Rochester, N. Y.....	.74	1.67	1.67	1.67
Syracuse, N. Y.....	.78½	1.71½	1.71½	1.71½
Utica, N. Y.....	.82	1.75	1.75	1.75
Colorado Springs, Colo.....	.69½	1.60	1.60	1.60
Denver, Colo.....	.69½	1.60	1.60	1.60
Pueblo, Colo.....	.69½	1.60	1.60	1.60
New Orleans, La. (domestic).....	.60½	1.29½	1.29½	1.29½
New Orleans, La., and Gulf points (export).....	.32½	1.29½	1.29½	1.29½
Memphis, Tenn.....	.81½	1.29	1.29	1.29

¹ Combination rates made over East St. Louis, Ill., and rate of 0.23½ of the through rate shown is based on an estimated weight of 7.4 pounds per gallon. Balance of the rate from East St. Louis to destination is based on estimated weight of 6.6 pounds per gallon.

² Through rates on estimated weight of 7.4 pounds per gallon.

It will be noted that the freight on a barrel of fuel oil, Tulsa to New York, will be about \$2.38. The pipe-line rate on shipments of crude in 100,000 barrel lots from points in Oklahoma to points on the Atlantic coast is 87½ cents per barrel, and from points in Texas it is 81.35 per barrel.

Importance of the independent producer.—That the independent producer is the important factor in domestic oil production and should, therefore, be protected against annihilation by imports is amply borne out by the findings of the Federal Trade Commission of June, 1920, as follows:

"It is estimated that there are about 16,000 producers of crude oil in this country. Production by individual producers varies from less than 1 barrel a day to about 70,000 barrels per day.

"The commission sought to obtain data which would show to what extent the production of crude oil in this country was centered in the hands of large producers as a part of its inquiry into competitive conditions of the oil industry.

"The following companies reported a production in excess of 1,000,000 barrels in 1919: Standard Oil Co. (California), Magnolia Petroleum Co., Ohio Oil Co., Prairie Oil & Gas Co., Humble Oil & Refining Co., Carter Oil Co., South Penn Oil Co., Standard Oil Co. of Louisiana, Galena Signal Oil Co. of Texas, Tide Water Oil Co., Gulf Oil Corporation, the Texas Co., Cities Service Co., Texas Pacific Coal & Oil Co., Southern Pacific Co., Associated Oil Co., Union Oil Co. of California, Shell Co. of California, General Petroleum Corporation, Doheny Co. in California, Santa Fe Railway, Mid-West Refining Co., Sinclair Consolidated Oil Corporation, Cosden Oil & Gas Co., Roxana Petroleum Co., Producers & Refiners Corporation, Barnsdall Corporation, McMan Oil & Gas Co., Oklahoma Producing & Refining Corporation, Ohio Cities Gas Co., Sun Co., and Shaffer Oil & Refining Co.

"In some cases the production figure includes the output of a number of subsidiary or affiliated producing concerns. There are some other companies not reporting which undoubtedly produced more than 1,000,000 barrels in 1919, but the list is fairly complete, and includes all the principal producers. The 32 companies listed above (including their subsidiary or affiliated companies, if any) produced in 1919 a total of 218,688,000 barrels, which was about 58 per cent of the total marketed production of the United States as reported by the Geological Survey for 1919, namely, 377,719,000 barrels. A number of the specified companies above are so closely affiliated that it may be said that they represent only about 20 distinct interests.

"A greater degree of concentration in the production of crude oil is found in California, where eight companies (including subsidiary and affiliated companies) that

confined their operations to California alone produced 72,837,000 barrels out of a total production of 101,564,000 barrels.

"If only the production east of the Rocky Mountains be considered, it is found that 24 of the companies listed above had a gross production in 1919 of 145,830,000 barrels as compared with 276,155,000 barrels produced by all the other companies.

"The Standard Oil Cos. alone, taking only those which are generally recognized as such (excluding, e. g., the Tide Water Oil Co., in which a Standard company has a 41 per cent interest), had a total production of 69,529,000 barrels in 1919, or about 18 per cent of the total marketed production of the United States. Excluding the California field their production for the fields east of California amounted to about 16 per cent of the total marketed production from those fields."

It therefore appears that operators other than strictly Standard companies were producing in 1919 approximately 80 per cent of the crude oil of the United States. This relative position was probably maintained during 1920, but owing to the depression in the industry, making it increasingly difficult for smaller producers and those not integrated with powerful refining groups to remain in the business, a change is now taking place and producing properties are either being abandoned or concentrated in the hands of the larger companies. Thus will wholesome competition be destroyed, to the sometime great regret of the American consumer of petroleum products.

CONCLUSION.

The foregoing and other facts and statistics which will be offered constitute the basis for the statements and requests set forth in the petition presented herewith.

In conclusion we desire to emphasize certain main considerations, to wit:

It is to the best interest of the country as a whole—including most certainly the American consumer—that the independent domestic producer be encouraged to maintain the United States in its position of preeminence in oil production.

That the opposite policy would be dangerous in that it would amount to trading an actual, live, domestic asset for an outside, indefinite, problematical advantage of doubtful value and duration. A proceeding sometimes characterized as trading "a bird in the hand for a bird in the bush." Evil effects of such a policy would be first felt by the users of trucks and tractors, later by the Army and Navy and the entire country, for we are the greatest users of petroleum products.

The soundness of these conclusions being granted, and it further appearing that there is an overproduction generally, true principles of conservation of natural resources demand that there be a curtailment of new operations in Mexico as well as this country. The domestic industry is already largely shut down and will become more so because of very recent price cuts. The Congress should see to it that a sufficient tariff is placed against imports to similarly restrain operators in Mexico.

Respectfully submitted.

MID-CONTINENT OIL AND GAS ASSOCIATION,
By HARRY H. SMITH, *Secretary*.

APPENDIX.

SOME ASPECTS OF MEXICAN PRODUCTION AS OF FEBRUARY 19, 1921.

The following review of the condition in the Mexican fields was sent out by the Oil and Gas Journal, February 19, 1921:

"With Mexico's production curve mounting swiftly to 163,000,000 barrels of petroleum during 1920, the question confronting producers in this Republic to-day is whether or not that volume of production can be maintained in 1921. The consensus of opinion is that the drill must invade and develop new territory in order to maintain 1920's record. Fortunately, much promising territory in the south fields, in comparatively easy reach of the coast, or of trunk lines to Tampico, is now being drilled, or is about to be drilled, which, despite the usual percentage of failure should prove, sufficiently productive to maintain the 1920 record, although the most optimistic hardly believe it will be surpassed.

"The above refers more especially to the south fields, with its higher gravity oils when considered in comparison with the northern fields (Panuco-Topila), where the heavier gravity oils are produced.

"Panuco reached its apex in the late spring of 1920, potential production considered. As the summer passed into autumn the salt water levels in that field became higher and higher, and wells in widely divergent sectors of the field, which contemplates

considerable acreage, began to go one by one. At that, however, Panuco should be good for several years for a fairly healthy production, although I seriously doubt if it ever again approaches the 39,000,000 mark in one year, its 1920 record.

"Topila's production is in the nature of a pick-up for companies with installations there or belting through it from Panuco to Tampico, and economically it has little bearing on Mexican petroleum production considered in such a sense.

PRODUCTION OF POOLS.

"When Potrero del Llano was invaded by salt water in December, 1918, the first estimate of the possible life of south-fields pools was arrived at. It was estimated, conservatively, at the time that this pool of no great area, even with Alazan to the north included, had produced 115,000,000 barrels of oil. To this can be added at this time 600,000 barrels more secured from two small Potrero wells, Nos. 1 and 2, and stripped from Alazan's major producer, which was pinched down to a little more than 1,000 barrels late in 1919 to keep back water. Therefore to date this pool shows a production of some 115,600,000 barrels. Estimating potential production of other south fields pools from this performance was pure hypothesis, of course.

"Now, consider Tepetate-Chinampa, which includes in its area the famous No. 7 Juan Casiano of the Hausteca Petroleum Co. At the end of 1919 this prolific pool of greater proven area than was Potrero del Llano, had produced 116,414,000 barrels, although the first appearance of salt water in it had occurred in February of that year and by fall had seriously affected most of the wells in Tepetate and in the upper section of Upper Chinampa, including No. 7 Casiano referred to. At this juncture I will state that in considering these geologic divisions of pools a line is drawn from east to west passing through the lower part of lot 162 Chinampa, where a fault line is supposed to cut off Tepetate-Upper Chinampa from Lower Chinampa and Upper Amatlan, which is usually called the Los Naranjos pool.

"In 1920 the Tepetate-Upper Chinampa produced 9,960,418 barrels, which gives this district a total of 126,374,418 barrels to the end of that year. While the structure in this particular sector is not wide, it was of some length, and it must be remembered that at least two-thirds of this total production to the end of 1920 came from Casiano 7, with no other wells producing to any extent from the first of 1911 to the first of 1918, in the sector in question. Some oil may continue to be stripped in very small volume from this Tepetate-Upper Chinampa, but its mainstay last year was Island Oil's No. 1, lot 162, which passed into history as 1920 approached the new year.

"At the end of the past year Los Naranjos (i. e., Lower Chinampa and Upper Amatlan) had produced 104,229,336 barrels, of which volume 89,789,336 barrels was the 1920 reckoning. This pool was the foundation stone upon which the production curve for 1920 was based. Its deeper wells are going to salt water now, although in January of the present year it formed the bulk of the January shipments, producing some 10,000,000 barrels, and it will do this same in February. The water level is steadily rising, however, and whether it will last to the 1st of April (that is, its shallowest wells, say, not over six) is a much disputed question with trained observers in each camp. Some of the major pessimists predict that even, the shallow wells will be invaded in the near future.

"South of the Tuxpam River, in the Alamo pool, which drilling has already defined as being productive structure of very limited area, some 33,230,000 barrels were produced to the end of 1920, with three wells there now good for an aggregate of some 16,000 barrels daily, which indicates a gradual pinching down of these producers. Apropos of the Alamo pool, the opinion is being expressed by some well-informed operators that the future pools in Mexican south fields territory will be more like Alamo, of limited area and possessing much smaller potential possibilities than did Tepetate-Upper Chinampa, the Los Naranjos, Potrero del Llano, or the Cerro Azul, Hausteca's mainstay at this time, from which less than 50,000,000 barrels have been produced to date. The drill and exploration will prove this theory right or wrong. It appears, however, to be quite reasonable.

"In sum, the south fields considered, it does not look as if the hypothetical gauge of major pools in that district, which was advanced when Potrero del Llano was invaded by salt water, is unreasonable, based upon the performance of Tepetate-Upper Chinampa and the way the Los Naranjos (Lower Chinampa-Upper Amatlan) has performed and is performing at this time. More oil will be produced than at Potrero, but the productive area was larger, and this is particularly true of the Lower Chinampa-Upper Amatlan, which should produce, say, 140,000,000 barrels before *finis* is written across its production page.

"At the end of 1920, Panuco had produced some 102,100,000 barrels, of which 1920's reckoning was 39,131,813 barrels, an increase in its previous high record of over 100

per cent for the year. There is no question that the apex of production was passed in Panuco in 1920, and that its curve is on the descent now. Panuco, however, with the possibility of extensions to the west and the east, and with some of its sectors still untouched by water, will probably be good for another 50,000,000 barrels if its wells are carefully handled. It is noticeable that this heavier oil and the lower pressures in this pool when compared with pressures in the south fields 'heads up' much more readily when a gate is closed, and hardly a well that has gone to water in that field but what in a few days it can be stripped of some free-oil production which, when considered in the aggregate, plays no small part in building up the field's production in a year's time.

WELLS OF RECORD.

"With 1920 now a memory, the following table of completed wells of record is introduced. This table includes completions to February 12, and relegates to the salt-water column those wells which went to water in January and the first 10 days of the present month. Wells under 50 barrels not included:

Fields.	Total wells.	Producing wells.	Dry, salt water, abandoned.	Potential production.
South fields (includes Furbero).....	298	47	239	883,562
Panuco.....	213	84	129	364,700
Topilla.....	70	14	56	6,000
Miss.....	45	3	42	800
Abano (approximations).....	74	16	58	6,000
Tamaulipas.....	21	.....	21	.....
San Luis.....	10	.....	10	.....
Isthmus.....	222	(?) 30	202	(?) 300
Total.....	941	184	757	1,261,362

"It might be remarked that while the potential daily production column in the above table is scaled down more on a level with actual daily production than is usual in presenting a potential production column which includes the potential daily production of big gusher wells, at the same time it must be remembered that by the time this is printed salt water invasions may change the complexion of that column considerably, but it is hoped that this contingency will be offset by new pay completions, of which there are several ready to drill in. This should keep the potential production column about even for a little while, at least."

UP-TO-DATE INFORMATION REFUTES PROPAGANDA CONCERNING EFFECT OF SALT WATER IN MEXICAN OIL WELLS.

Recent newspaper articles appearing in New York and Washington were evidently designed to give the impression that Mexico's production was on the decline and would soon cease because of the encroachment of salt water. Such articles create an erroneous impression. Mexican production will continue to be great for several years according to well informed conservative opinion. The Oil and Gas Journal maintains a competent correspondent in Mexico who reports developments weekly. To give a correct idea of the up-to-date condition there, we quote a few recent dispatches appearing in that periodical:

TAMPICO, MEXICO, May 10.

Three completions, two of them rating as good wells, and the third a failure, sum the results of field operations in Mexican pools during the past week. Mexican Eagle Oil Co.'s No. 4 Zacamixtle, lot 224 Amatlan, is completed at 2,226 feet, rated at 25,000 barrels.

In fact the end of April found the production situation much improved, when the situation at the end of March is considered. In April a total of 24 wells were completed, of which 11 rank as producers with 13 failures. The new production secured during the month was 233,400 barrels, with 222,000 barrels of this in the South fields and the remainder in Panuco. The net result has been to shove the potential production figures for the south fields up around the 600,000-barrel a day mark (with some additional completion in early May), which is ample oil to spare. Panuco holds around, say, 125,000 barrels the day, which is sufficient for operators there. And this month will find a sharp diminution of vessel movements of petroleum, as the shipping strike is being felt more or less among tanker fleets operating on this coast.

TAMPICO, MEXICO, *May 24.*

Nine wells were completed in Mexican pools during the past few days, resulting in an increase in daily potential production of 140,000 barrels in the South fields, while Panuco scored one small well of 1,500 barrels. The only important salt water closure reported was Cia. Mex. de Pet. Inversiones's No. 3, lot 227 Amatlan, which came in April 18, at 2,270 feet, rated 10,000 barrels, which production was being run by Hausteca Petroleum Co. when the salt-water invasion resulting in the closure of the well occurred.

The foremost completion of the week was Hausteca Petroleum Co.'s No. 1 Tierra Blanca, which is located north of the Tuxpam River, and northwest—to speak generally—from Penn-Mex Fuel Co.'s Alamo pool. This well is rated at 75,000 barrels.

TAMPICO, MEXICO, *May 30.*

Nine wells were completed in Mexican pools during the past week, resulting in new potential production aggregating 31,800 barrels.

TAMPICO, MEXICO, *May 27.*

Shipments of petroleum from Mexican ports of primary clearance during the month of April totaled 15,524,339 barrels, an increase over the April, 1920, movement of 5,389,060 barrels, and an increase over the movement of the month preceding (March) of 165,063 barrels. The April movement by ports was as follows: From Tampico, 8,900,766 barrels; from Port Lobos, 5,096,892 barrels; while Tuxpam dispatched 1,526,681 barrels.

The May movement of petroleum from Mexico will probably be curtailed, say, a million barrels or more, this condition being brought about partly by the marine strike, which, however, has not greatly affected tankers running to Mexico. Full storage in Gulf coast ports is also a factor that exporters in Mexico will take into consideration. A decrease in May shipments, however, will in no way reflect upon available potential production, as recent completions, as has already been pointed out in this correspondence, has once more brought production reserves, total volume considered, to a safe margin. This last is particularly true of the South fields district.

Mexico to-day is the second largest oil producer, following upon the United States. Various alarming statements have been made recently with regard to the life of the Mexican oil fields, and Ralph Arnold's statement that the end of two years would witness the exhaustion of the proved fields was given particular prominence. If such a statement were even approximately correct, not only would the shares of the Mexican Eagle Co. be ridiculously overvalued at the present time, but the commerce of the world would be in jeopardy. An industrial crisis of the first magnitude would arise if such a statement were even partially correct, but fortunately there is no reason to believe that Mexico will not continue to produce vast quantities of oil for very many years to come. That a field, after being drained of oil, becomes water-logged, is only what has been taking place over past years, and is by no means a new development.

In Mexico the oil region extends over thousands of square miles, the oil having collected in pools. Each pool is cut off from neighboring pools. To obtain an idea of the principal Mexican oil belt, take a map of the country and halfway between Tampico and Vera Cruz will be found the port of Tuxpam. If it is not marked, then, for all practical purposes, it is almost exactly midway between the two first-named ports. It is in the form of an arc that the oil region extends inland. Along the Tampico oil belt oil is known to exist in great quantities, and it is believed that the belt contains more and better oil, the farther south you travel. The oil does not lie underground as if it were one huge lake, but in a series of these pools, situated on the top of various anticlines. At the present time there are several other partly developed fields already known, apart from the potentialities of huge areas as yet untouched, which may be expected to yield large production.

The Mexican production may not greatly increase for the time being until partly developed districts known to contain oil can be brought into full exploitation, and other potentialities proved, and this can only be done by the drill. This development will take time, yet it is probable that, during this period, Mexico will still be a powerful contributor to the world's production.

ENORMOUS PRODUCTION.

TAMPICO, MEXICO, *June 15.*

Well completion after well completion, nearly all of them being gushers of capital size, have marked operations in Mexican pools during the past 10 days, with special reference to the south fields. Here, in the middle Amatlan, which merges into lower Amatlan—the latter geologically classed with Zacamixtle—no less than 12 wells with a combined production of, say, 385,600 barrels daily, have been brought

in Panuco contributed their pay completions with a production of, say, 8,650 barrels.

Two dry holes in the south fields; and two salt-water wells in Panuco complete the completion list, a total of 19 wells.

When it is considered that May saw 32 wells completed, as already reported, with a combined production of 311,200 barrels, the potency of the first 10 days of June is easily recognized.

Prices of casing and tubing, July 30, 1915, to June 1, 1921.

[Furnished by Oil Well Supply Co., Tulsa, Okla.]

	Size of pipe (inches).	Weight per foot (pounds).	July 30, 1915.	Jan. 4, 1916.	June 1, 1916.	Feb. 14, 1917.	Nov. 6, 1917.	June 25, 1918.
Gas.....	2	3.716	\$0.0675	\$0.114	\$0.144	\$0.164	\$0.21	\$0.22
Oil.....	2	3.716	.0863	.124	.164	.194	.234	.244
Casing.....	64	20 S. P.	.515	.644	.794	1.04	1.30	1.34
Do.....	64	24 S. P.	.6005	.754	.944	1.24	1.56	1.61
Do.....	64	26 D. B. X.	.7224	.904	1.10	1.41	1.74	1.79
Do.....	84	32 D. B. X.				1.80	2.19	2.26
Do.....	10	45 D. B. X.				2.62	3.17	3.26
Do.....	124	50 D. B. X.				2.95	3.65	3.74
Do.....	154	70 D. B. X.	2.744	3.37	3.93	4.59	5.65	5.78
Tubing.....	2	4	.1111	.14	1.8	.224	.274	.284
Do.....	2	4.50	.1217	.154	.20	.25	.31	.32

	Size of pipe (inches).	Weight per foot (pounds).	Jan. 1, 1919.	June 1, 1919.	Feb. 26, 1920.	Aug. 26, 1920.	June 1, 1921.
Gas.....	2	3.716	\$0.204	\$0.194	\$0.194	\$0.204	\$0.194
Oil.....	2	3.716	.0863	.22	.22	.23	.224
Casing.....	64	20 S. P.	.126	1.21	1.21	1.26	1.16
Do.....	64	24 S. P.	1.52	1.43	1.43	1.49	1.38
Do.....	64	26 D. B. X.	1.70	1.61	1.61	1.68	1.53
Do.....	84	32 D. B. X.	2.15	2.04	2.04	2.12	1.94
Do.....	10	45 D. B. X.	3.12	2.96	2.96	3.07	2.87
Do.....	124	50 D. B. X.	3.59	3.41	3.41	3.54	3.31
Do.....	154	70 D. B. X.	5.57	5.32	5.34	5.50	5.19
Tubing.....	2	4	.274	.254	.254	.264	.25
Do.....	2	4.50	.304	.29	.29	.304	.284

These prices are for carload lots from mill to destination or diverted in transit. Freight rate on above 704 to 75 cents per 100 pounds in less than carload lots.

OIL REFINERIES IN THE UNITED STATES, JANUARY 1, 1921.

[Compiled by H. F. Mason, petroleum economist, United States Bureau of Mines.]

The following census of the petroleum refineries in the United States has been compiled by the Bureau of Mines from the most accurate information obtainable. Great care has been exercised to give to the petroleum industry a complete list of the refining plants with their daily capacity of crude oil in barrels, also the number of plants building, shut down and operating.

The report states that there are 415 completed refineries in the country, as compared with 373 in 1920. In addition, 44 refineries are in process of construction. The present daily capacity of all refineries is 1,888,800 barrels of oil as against a daily capacity of 1,530,565 barrels in 1920. Texas, with 70 refineries, has the largest number of plants now in operation. Oklahoma has 68; Pennsylvania, 51; and California has 39 operating refineries. The daily capacity of the Texas refineries now operating is 350,800 barrels; that of California refineries is 312,700 barrels; of the Oklahoma refineries, 248,050 barrels; while New Jersey, with only 7 refineries operating, has a daily capacity of 215,500 barrels.

The following table is a comparison of the previous years:

Year.	Building.	Completed.	Daily capacity.	Year.	Building.	Completed.	Daily capacity.
1914 ¹		176		1920.....	99	373	1,530,565
1918.....		267		1921.....	44	415	1,888,800
1919.....		289	1,186,155				

¹ From the Bureau of the Census.

Recapitulation by States.

State.	Build- ing.	Shut down.	Operat- ing.	State.	Build- ing.	Shut down.	Operat- ing.
Arkansas.....		1		New York.....			7
California.....		2	39	Ohio.....	1	1	11
Georgia.....			3	Oklahoma.....	8	23	68
Illinois.....			12	Pennsylvania.....		4	51
Indiana.....	2		4	Rhode Island.....			2
Kansas.....	1	11	28	South Carolina.....	1		
Kentucky.....	3		7	Tennessee.....			1
Louisiana.....	6	3	16	Texas.....	19	12	70
Maryland.....			4	Utah.....	1		1
Massachusetts.....			3	Virginia.....			1
Minnesota.....			1	West Virginia.....			5
Missouri.....		2	3	Wyoming.....		3	10
Nebraska.....		2					
New Jersey.....	1	1	7	Total.....	44	65	350
New Mexico.....	1						

WELLS (DATA).

[United States Geological Survey.]

The following well data for the States east of California are based on information supplied to the United States Geological Survey by pipe-line companies. The data are only approximate because a few pipe line companies do not maintain lists of wells with which their lines are connected and the data for these companies have been estimated on the basis of production per well per day. However, it has been necessary to estimate less than 10 per cent of the total number of wells.

Producing oil wells in the United States, Oct. 31, 1920.

[Prepared under the supervision of G. B. Richardson.]

State.	Approximate number of produc- ing oil wells.	Approximate produc- tion per well per day.	State.	Approximate number of produc- ing oil wells.	Approximate produc- tion per well per day.
		<i>Barrels.</i>			<i>Barrels.</i>
California ¹	9,480	32.3	Oklahoma.....	50,700	6.0
Colorado.....	70	4.1	Pennsylvania.....	67,700	.3
Illinois.....	16,800	1.7			
Indiana.....	2,400	1.1	Texas:		
Kansas.....	15,700	6.7	Central and northern.....	9,400	2.9
Kentucky.....	7,900	3.1	Coastal.....	1,700	49.7
			Total.....	11,100	27.0
Louisiana:			West Virginia.....	19,500	1.1
Northern.....	2,560	31.6	Wyoming and Montana.....	1,000	55.9
Coastal.....	140	34.6			
Total.....	2,700	31.8	Total.....	258,600	4.9
New York.....	14,040	.2			
Ohio:					
Central and Eastern.....	18,500	0.8			
Northwestern.....	21,100	.3			
Total.....	39,600	.5			

¹ Average of wells reported by the Standard Oil Co. and the Independent Producers' Agency.

Production of petroleum in the United States, 1919.

[U. S. Geological Survey.]

	Barrels.		Barrels.
Appalachian (Pennsylvania grade).....	29,232,000	California.....	101,564,000
Lima-Indiana.....	3,444,000	Rocky Mountain.....	13,584,000
Illinois.....	12,436,000		
Mid continent.....	196,891,000	Total.....	377,719,000
Gulf.....	20,568,000		

PETROLEUM PRODUCTION OF THE UNITED STATES, 1912-1920.

The accompanying table shows the production of petroleum in the United States for the years 1912 to 1920, inclusive, the total value and the price per barrel, as compiled by the annual reports of the United States Geological Survey:

Year.	Barrels.	Value.	Price per barrel.	Year.	Barrels.	Value.	Price per barrel.
1912.....	222,935,044	\$164,213,247	\$0.737	1917.....	335,315,601	\$522,635,213	\$1.559
1913.....	248,446,230	237,121,388	.954	1918.....	358,927,716	703,843,961	1.978
1914.....	265,762,536	214,125,215	.806	1919.....	377,179,600	775,000,000	2.018
1915.....	281,104,104	179,462,960	.638	1920.....	443,402,030	1,360,000,000	3.087
1916.....	300,767,158	330,890,888	1.100				

Petroleum refining—Census Bureau's summary for the industry, 1919 and 1914, showing growth of the industry.

Products.	1919		1914	
	Quantity (gallons).	Value.	Quantity (gallons).	Value.
Value.....		\$1,632,354,800		\$396,361,400
Naphthas and lighter products.....	4,190,776,000	765,914,500	1,460,038,000	121,919,300
Gasoline.....	3,637,045,000	679,775,500	1,195,412,000	106,140,200
Naphtha.....	392,257,000	65,077,900		
Benzine.....	64,491,000	10,077,900	264,626,000	15,779,100
Other.....	96,483,000	11,045,200		
Illuminating oils.....	2,304,860,000	235,617,500	1,935,275,000	96,806,500
Fuel oils:				
Distillates.....	648,308,000	36,548,100	457,492,000	15,999,300
Gas oils.....	1,259,943,000	76,383,500	755,558,000	22,805,300
Residual fuel oils.....	2,863,934,000	206,151,100	2,521,042,000	45,213,200
Lubricating.....	818,953,000	196,242,400	517,839,000	55,812,100
Pale or paraffin.....	123,373,000	28,236,300	93,422,000	8,064,600
Red or neutral.....	230,616,000	44,583,100	116,353,000	12,426,000
Cylinder.....	235,436,000	59,034,500	102,949,000	13,703,800
Other.....	249,504,000	64,384,500	205,115,000	21,597,700
Liquid asphaltic road oils.....	97,037,000	4,490,700		
Residuum or tar.....	29,163,000	1,533,500	134,844,000	4,018,000
Partly refined oils sold for rerunning.....	428,347,000	29,268,900		(1)
Greases.....		11,896,700		3,536,500
Petroleum, mineral jelly, etc.....	10,330,000	3,750,000	6,078,000	1,243,400
Lubricating greases.....	12,599,000	6,043,800	4,980,000	1,625,000
Axle greases.....	5,318,000	2,102,900	2,948,000	668,100
Paraffin wax.....	69,361,000	28,348,400	57,539,000	8,897,000
Candles.....		2,939,500		1,403,000
Asphalt other than liquid.....	927,151,000	12,500,200	485,157,000	4,867,200
Coke.....	798,180,000	3,928,300	213,777,000	918,900
Reclaimed acid sold (66°).....	136,320,000	687,300	89,792,000	491,400
Acid oil.....	45,600,000	992,900		
Other special products.....		6,813,600		8,508,000
All other products.....		13,106,900		5,285,700

Materials.	1919		1914	
	Quantity (barrels, 42 gallons).	Cost.	Quantity (barrels, 42 gallons).	Cost.
Crude petroleum.....	357,686,000	\$966,265,000	191,202,700	\$249,728,000
Pennsylvania grade.....	29,838,500	120,182,000	21,197,000	50,020,000
Lima-Indiana.....	1,737,800	8,031,600	2,564,700	4,296,600
Illinois.....	15,580,000	33,469,300	17,672,300	30,138,000
Midcontinent.....	171,794,500	495,812,200	92,462,600	121,188,500
Gulf.....	16,399,600	28,918,800	5,787,300	6,080,900
California.....	71,529,700	106,360,500	41,901,700	30,157,000
Rocky Mountain and other United States.....	12,836,500	21,666,000	3,441,900	2,088,700
Foreign (Mexican, etc.).....	38,059,400	48,824,000	6,235,200	5,768,300
Distillates purchased and rerun.....	30,465,400	98,757,000	9,455,300	24,395,500
Casing-head gasoline purchased.....	6,952,200	58,562,000		(1)
Casing-head gas.....	(2)	1,254,400		(1)

¹ Figures not available.

² Tons (2,000 pounds).

³ 16,671,322,000 cubic feet.

REFINERY STATISTICS FOR APRIL, 1921.

An analysis of the Bureau of Mines report shows that on daily average the refineries in the United States produced 20 per cent more gasoline in April, 1921, than in April, 1920, and 33 per cent more than in April, 1919.

The daily average production of kerosene shows a decrease of 15 per cent under April, 1920, and a decrease of 14.8 per cent under April, 1919.

Fuel oil shows an increased daily average output of 26 per cent over April, 1920, and an increase of 38 per cent over April, 1919.

The following table shows the daily average quantities produced:

	April, 1921.	April, 1920.	April, 1919.
Crude oil..... barrels..	1,253,140	1,095,088	925,840
Oil purchased and rerun..... do....	78,773	94,312	139,915
Gasoline..... gallons..	14,207,173	11,853,248	10,660,261
Kerosene..... do....	5,205,219	6,148,967	6,115,124
Gas and fuel..... do....	27,114,807	21,436,293	19,626,947
Lube..... do....	2,548,565	2,852,269	2,365,137
Wax..... pounds..	1,306,673	1,445,113	1,401,756
Miscellaneous..... gallons..	3,200,376	4,350,498	3,216,517

Stocks of gasoline on hand at refineries on April 30, 1921, were 16 per cent greater than on April 30, 1920, and 26 per cent greater than on April 30, 1919.

Kerosene stocks on April 30, 1921, were 22 per cent greater than on April 30, 1920, and 66 per cent greater than on April 30, 1919.

Fuel oil stocks on April 30, 1921, were 79 per cent greater than on April 30, 1920, and 31 per cent greater than on April 30, 1919.

In Oklahoma and Kansas on April 30, 1921, gasoline stocks were 75,870,418 gallons, as compared with 95,774,688 gallons at the same time in 1920. Kerosene stocks were 32,771,819 gallons as compared with 32,306,497 gallons. Gas and fuel oil stocks were 194,494,515 gallons as compared with 100,696,703 gallons.

In Pennsylvania, New York, eastern Ohio, and West Virginia (excluding New York City and Philadelphia) gasoline stocks on April 30, 1921, were 31,103,074 gallons, as compared with 40,212,961 gallons on April 30, 1920. Kerosene stocks were 29,016,852 gallons as compared with 16,948,998 gallons. Gas and fuel oil stocks were 40,182,446 gallons as compared with 16,222,761 gallons. Lube stocks were 42,576,226 gallons as compared with 28,342,689 gallons. Wax stocks were 28,565,471 pounds as compared with 23,361,032 pounds.

Gasoline stocks in Texas and Louisiana on April 30, 1921, were 177,998,009 gallons as compared with 165,358,571 gallons on April 30, 1920. Kerosene stocks were 219,187,074 gallons as compared with 151,762,506 gallons. Gas and fuel oil stocks were 327,426,325 gallons as compared with 133,672,680 gallons.

The quantities of refinery stocks for the country as a whole are shown as follows:

	Total stocks at end of April—		
	1921	1920	1919
Crude oil..... barrels..	21,054,630	15,145,691	15,184,844
Oils purchased to be rerun..... do....	1,361,776	758,938	980,597
Gasoline..... gallons..	747,222,900	643,532,644	593,616,170
Kerosene..... do....	458,666,896	376,358,123	276,356,837
Gas and fuel..... do....	1,056,494,544	590,687,009	807,895,498
Lube..... do....	246,593,330	140,355,972	170,122,088
Wax..... pounds..	256,254,892	188,170,912	246,351,315

GREATER SUPPLY OF GASOLINE SHOULD NOT TEND TO INCREASE PRICE.

Opponents of a tariff on oil are circulating the propaganda that a tariff would increase the price of gasoline to the consumer. They point to the fact that imports of crude oil from Mexico are now coming in at the rate of ten to thirteen million barrels a month and that considerable gasoline has been made from the better grade of Mexican crude.

The facts are that the heavy importation of Mexican crude, with its low gasoline content and high fuel-oil content, have so destroyed the equilibrium in the refining

industry that fuel-oil stocks increased 79 per cent in the year ending April 30, 1921, while gasoline stocks only increased 16 per cent. Because domestic refineries are unable to dispose of fuel oil, kerosene, etc., they are not running to full capacity to-day but are 30 to 50 per cent shut down. Should a tariff be imposed which would stimulate the demand for fuel oil of domestic origin, the refining industry of the United States could run at nearly full capacity on domestic crude. If this occurred the gasoline supply would be thereby automatically increased far beyond the possibilities of obtaining gasoline from Mexican crude. The conclusion naturally to be drawn is that if you can get a lot more gasoline from domestic crude by having our domestic refineries run at capacity, it is much better to do so and less likely to increase the price of gasoline than to have domestic refineries shut down and depend on the low-grade oil from Mexico for our gasoline supply.

To illustrate:

	Barrels per day.
The total refining capacity of the United States is.....	1,888,800
The crude oil refined during April was.....	1,263,140
	<hr/>
Refining capacity not used.....	635,660

If this could be utilized with high-grade American oil, it would produce 35 per cent or 222,481 barrels gasoline per day or 3,447,133,730 gallons per year.

The total amount of gasoline derived from Mexican sources in 1920 was 440,950,104 gallons. So it must be apparent to anyone that, with our refineries running at full capacity, we would increase the present production of gasoline from domestic crude by approximately eight times as much as we were able to obtain from Mexican sources during the last year. In other words, we have to-day in the United States an unused gasoline refining capacity, if domestic oil is used, eight times as great as the total available supply of gasoline from Mexican crude imported. Should we shut out Mexican crude altogether, the American consumer of gasoline would benefit by having the supply increased many times over what he could obtain from Mexican sources. This condition ought to tend to keep the price of gasoline to the consumer down instead of raising it.

Should the general demand for products not be sufficient to necessitate refineries running at capacity, any increase of the amount of domestic crude refined accompanied by a decrease in the amount of foreign crude refined will show a proportionate result. For instance, in 1920 we refined 63,000,000 barrels of Mexican oil (including some tops) which yielded 10,000,000 barrels of gasoline. Had this 63,000,000 barrels been Oklahoma-Kansas crude the gasoline recovery would have been 20,000,000 barrels, or twice as much. Likewise, in 1921 we may refine 75,000,000 barrels of Mexican crude and recover 12,000,000 barrels of gasoline or we can use domestic crude instead and get 24,000,000 barrels of gasoline.

Lessening the use of Mexican crude by means of a tariff will mean the substitution therefor of domestic crude of high gasoline content and a consequent increase in supply of gasoline from equal amount of crude refined.

COSTS IN MEXICO.

TAMPICO, TAMAULIPAS, MEXICO,
June 21, 1921.

Mr. W. F. POTTER,
Vice President and Managing Editor Oil and Gas Journal,
Tulsa, Okla.

DEAR MR. POTTER: Your letter of June 11 re certain data on the cost of production of oil in Mexico received.

Drillers, standard, receive \$400 per month.

Drillers, rotary, receive \$300 per month.

Board and room is always furnished them free.

In addition to the above, it is customary to allow drillers a bonus of about 75 cent per foot if they finish a well within 100 days and 35 cents per foot if they finish over 100 days.

Mexican labor around the rig receive \$4 to \$5 per day.

The cost of a rig in the south fields, i. e., lumber and rig irons, is \$8,500. At Panuco a rig costs \$6,500.

Two and one-fourth inch manila cable costs 50 cents a pound here. Wire drilling cable costs 45 cents a foot.

Teaming costs \$22 a day for 6-mule team.

Casing costs as follows:

	Per foot.
15½-inch.....	\$7.00
12½-inch.....	5.00
10-inch.....	4.00
8½-inch.....	3.00
6½-inch.....	2.25

In view of the high cost of labor and material and the fact that bonuses must be paid drillers in order to get holes down, many of even the larger companies have turned to contractors.

Contractors' costs are as follows:

Turn-key job, Panuco, \$20 per foot.

Turn-key job, south country, \$40 to \$45 per foot.

The usual way, though, is to simply make a contract with the contractor at a round figure, the contractor furnishing everything. Under these conditions prices run as follows:

Panuco-Topila districts, \$45,000 to \$50,000.

Same in the south fields, \$95,000 to \$115,000.

The difference in cost between Panuco-Topila fields and the south fields is simply one of transport and distance. Panuco-Topila are reached by the Panuco Valley Railroad and by the Panuco River, so it is quite easy to handle material there, and water and fuel offer practically no problems. In the south fields, however, not only very often must roads be constructed to exact location, but distance from Tampico, from where the supplies must come, ranges anywhere from 75 to 100 miles, and very often fuel and water present a problem to the contractor which he must solve.

I trust this letter will be sufficient for your uses.

Very truly, yours,

GEORGE BLARDONE,
Manager Oil and Gas Journal.

(By direction of the acting chairman, letter and statement of S. M. Williams are here printed in full, as follows:)

WASHINGTON, D. C., July 20, 1921.

The PRESIDENT,

The White House, Washington, D. C.

DEAR MR. PRESIDENT: Upon behalf of many millions of consumers we want to express to you sincere appreciation of your splendid courage and leadership in opposing what would have been a tremendous imposition through the adoption of the proposed tax on crude and fuel oil.

The interest of the Federal Highway Council in this matter is solely that of the general public as expressed in the attached copy of letter which was addressed to Members of Congress on July 15. In this letter we did not refer to the interest of eleven million users of motor vehicles, one-half million tractors, and two and one-half million stationary engines by reason of the influence in price increase from such a tariff.

The writer's attention has been called to a letter published in the newspapers on July 17, addressed to you from the interests advocating the tariff.

For our own study and consideration we submitted copy of the letter to and requested reply from a representative of an independent producer and importer of Mexican oil. For your information we inclose copies of our letter and original of their reply. I am sure you will be interested in the statement accompanying their letter.

Respectfully, yours,

FEDERAL HIGHWAY COUNCIL,
S. M. WILLIAMS, *Chairman.*

MEMORANDUM SUBMITTED TO S. M. WILLIAMS, CHAIRMAN FEDERAL HIGHWAY COUNCIL, IN REPLY TO THE LETTER OF W. N. DAVIS, PRESIDENT OF THE MID-CONTINENT OIL & GAS ASSOCIATION, OF JULY 14, 1921, ADDRESSED TO THE PRESIDENT OF THE UNITED STATES.

Regarding the letter addressed to the President by W. N. Davis, president of the Mid-Continent Oil & Gas Association, concerning the proposed duty on petroleum. This communication calls for a dispassionate analysis of the premises and conclusions submitted by Mr. Davis.

The first sentence from above-mentioned letter contains the following statement:

"Our recent interviews with reference to an import duty on petroleum and your letter on the same subject to Chairman Fordney of the Ways and Means Committee convince me that your attitude in the matter is based upon a misconception of the facts."

It is fitting to say, with entire respect to Mr. Davis, that the President's letter to Chairman Fordney was not "based upon a misconception of the facts." It shows, rather, that this attitude was based on a clear conception of existing facts and a clear-sighted survey of the Nation's future needs. It shows that his attitude was based not upon transient but upon permanent considerations. It shows that his attitude was based not upon the partial interest of a local class but upon the general welfare, alike of the present and of future generations.

Permanent and farsighted policies are never founded upon temporary and changing conditions. Such policies are based upon fundamental facts and upon conditions that endure.

In his closing paragraph Mr. Davis says:

"The independent oil producers of the United States do not ask for this import duty as a permanent feature of the tariff of this country, but they do ask that in the hour of their distress," etc.

Mr. Davis asks that "during the present hour of distress" the farsighted and traditional policy of this Government respecting petroleum should be changed, and that a new, untried, and temporary policy be substituted in its stead. The distress of the mid-continent oil producers is a distress common to all producers of oil at this moment, and only follows the natural economic readjustment suffered by all raw materials after the war. The import duty which Mr. Davis urges would not relieve the distress of the hour, but it would entail permanent consequences of the most serious and far-reaching character. In express terms, "a temporary policy" is asked to relieve the distress of the hour. All the circumstances upon which this request is based are themselves temporary. But the evil consequences, as we shall show, will not be temporary.

"The distress of the hour" from which the mid-continent oil producers are now suffering should be considered in connection with this historic fact. The prevailing price of oil in the mid-continent field to-day is \$1 per barrel. Contrasted with the peak prices which have prevailed during the last two or three years, this price is extremely low. But contrasted with the prices which obtained before the war, which obtained when times were normal, \$1 per barrel would not seem to be ruinous in its effects. The price of oil in the mid-continent field was 38 cents a barrel for the years 1909 and 1910. For the eight years from 1909 to 1916, on the eve of the entrance of the United States into the war, the average price of mid-continent oil was only 68½ cents per barrel. The prevailing price of oil, \$1 per barrel, is 50 per cent more than the prevailing price when times and prices were normal. Notwithstanding the complaint of low prices, and the distress of the hour the production of oil in the mid-continent field is increasing. This is evidenced by the current bulletins of the American Petroleum Institute. If the mid-continent producers would curtail production, it would minimize their troubles, and in some measure, alleviate their distress. This remedy they hold within their own hands. For some reason they have not applied it. They rather invoke Government aid—aid which would be brought with irremediable evils. Justice to the California oil producers makes it necessary to say that they have formally and emphatically protested the proposed duty on petroleum, and equal justice makes it necessary to add that in a formal referendum taken among the mid-continent producers, 43 voted against a tariff on imported oil and 90 for such tariff. The producers voting against the tariff entertain the President's view of the present and his vision as to the future.

Mr. Davis comments upon the difference in the cost of producing oil in the United States and in Mexico. It is difficult to institute a just comparison in the cost of production as between this country and Mexico. There is no common standard of measurement. The things to be measured are radically different. Mr. Davis very properly states that 90 per cent of Mexican oil is fuel oil and only 10 per cent gasoline, whereas mid-continent oil is rich in gasoline, benzine, naphtha, lubricating oil, etc., and only a small percentage is residuum or fuel oil. This accounts for the great difference in the price of the two oils. In the next place, if the cost at the mouth of the well in Mexico is to be considered, then cost at the mouth of the well in the United States must be considered. But this is not economic cost or economic competition. The cost of delivering Mexican oil to the markets of the United States is the real test. To the cost at the mouth of the well in Mexico must be added the cost of delivering to the seacoast plus the cost of ocean transport to American markets plus burdensome Mexican taxation. This eliminates the alleged difference complained of. It also

relieves the sharp contrast contained in the statement that Mexican wells average 2,500 barrels per day and American wells less than 5. Mr. Davis states, with perfect candor, that "150,000 wells have an average daily production of less than half a barrel each." These 150,000 wells produce, therefore, less than 75,000 barrels per day. But the daily production in the United States on the 9th day of this month was 1,312,760 barrels. This production is undoubtedly profitable, even at present prices. It must be remembered that the cost of these 150,000 invalid wells was realized out of flush production. Flush production pays the cost of the well and more. Settled production is a continuation of the profit.

It is respectfully suggested that Mr. Davis's own premises and reasoning condemned his conclusion. He says that the American owners of Mexican oil properties should conserve those resources for the use of our Navy and merchant marine in time of war, because the Navy and merchant marine require fuel oil. He then observes, as stated above, that Mexican petroleum carries 90 per cent fuel and only 10 per cent gasoline, while American petroleum is principally lighter oils. This demonstrates beyond doubt that the two oil fields are the complements of each other. The Mexican oil supplies the fuel to which use the American oil can not be profitably applied, whereas American oils supply gasoline and the other refined products which can not be obtained from Mexican oil. His statement demonstrates that American and Mexican oils are not economic competitors. Mexican oil may not be regarded as a competitor of the high gravity American oil. The world must have the refined products of American oil. This demand is constant. This market is always open. It can not be supplied by Mexican oil. The proposed tariff upon petroleum, however, would deprive the United States Navy of Mexican fuel oil. It would deprive the United States industries of Mexican fuel oil—demands which American oil does not pretend to supply.

Mr. Davis says that a duty of 35 cents a barrel on crude and 25 cents a barrel on fuel oil would not, on the one hand, afford sufficient protection to American oil producers, and would not, on the other hand, discourage Americans from exploring and developing foreign fields. These deductions of Mr. Davis are refuted by the facts. The Mexican Government recently added 25 cents a barrel to the preexisting tax. These aggregate burdens have stopped the exportation of oil from Mexico. The tax was more than the traffic could bear. Incidentally, this affords the mid-continent oil producers all the protection which they could ask or obtain. It is equal to a prohibitive tariff. There are no imports from Mexico worthy of mention. They have ceased. Here is a temporary remedy for the "distress of the hour." What more could be required?

The effects of this latest export tax demonstrates what would be the permanent consequences of the proposed tariff on petroleum. It would be prohibitive. It would exclude Mexican crude and fuel from the United States markets. It would deprive the American Navy, the American merchant marine, and all American industries of Mexican fuel oil. It would do much more than this. It would drive American producers out of the Mexican field. It would compel them to sell to the Royal Dutch Co., or to some other foreign company. Americans can not produce oil in foreign fields, and will not explore and exploit foreign fields if their own market is closed in their faces. This would transfer all foreign fields to foreign control. But this is not all. It would speed the exhaustion of domestic supplies. To-day the United States is supplying two-thirds of the world's requirements, notwithstanding the fact that the United States has within its borders but one-sixth of the world's resources. When the domestic resources of the United States are exhausted, as they will be at too early a date, the United States will find itself dependent upon the favor of the foreigner; dependent upon the good will of competitors. The United States Navy, its merchant marine, and its diversified oil-consuming industries must become suitors, must become dependents upon the generosity of others. This is the fate that would be meted out to the United States by those who differ from you. The American people, the largest oil-consuming people on the globe, will approve of the President's policy and applaud his vision.

STATEMENT OF W. H. GRAY, TULSA, OKLA., REPRESENTING THE OKLAHOMA OIL MEN'S PROTECTIVE ASSOCIATION.

Mr. GRAY. Mr. Chairman and gentlemen of the committee, I am representing the National Association of Independent Oil Producers, and in addition to that I am a producer myself. I have produced this year on an average of 500 barrels of oil per day, and my books reveal a profit of \$7,000. That is based on a range of prices from

\$3.50 in January down to \$1 in June and back up to \$2, the price having been raised just before the setting of this hearing.

Senator SMOOT. What did you charge off for depletion?

Mr. GRAY. The only charges for depletion that have been made are the ordinary charges that are carried throughout the year, from month to month, and allowed by the department.

Senator CURTIS. And actually met?

Senator SMOOT. I am speaking of depletion charges.

Mr. GRAY. Yes. There are no depletion charges, such as we call depletion charges.

Senator SMOOT. You produce so many gallons of oil?

Mr. GRAY. Yes.

Senator SMOOT. How much did you take off for depletion charges?

Mr. GRAY. We do not take off anything. We carry it along with us.

Senator SMOOT. Do you mean in your costs?

Mr. GRAY. Yes.

Senator SMOOT. That is the same thing.

Mr. GRAY. It has not all been charged off.

The point I want to bring out is that in that volume of production from wells that average about 4 barrels a day there has been no profit.

Senator McCUMBER. Your oil is all pumped, is it not?

Mr. GRAY. Yes, sir; it is all pumped.

Senator McCUMBER. You have to have an engineer to look after the pumping engine and take care of that?

Mr. GRAY. Yes, sir.

Senator McCUMBER. How many wells will one engine take care of?

Mr. GRAY. Well, sometimes we have an individual machine over each well; sometimes we have as many as 8 and 10 wells on one power plant.

Senator McCUMBER. What do you pay the engineer who runs the well?

Mr. GRAY. We pay our superintendent from \$300 to \$325 per month. We pay our foremen \$200. We pay the pumpers about \$135 to \$145 per month.

Senator McCUMBER. Has there been any reduction?

Mr. GRAY. We had a 15 per cent reduction only.

Senator McCUMBER. Do you expect that you will have to continue to pay \$300 a month for those whom you mentioned?

Mr. GRAY. Yes, sir; we think so.

Senator WATSON. Where are your wells?

Mr. GRAY. They are situated in Oklahoma.

Senator WATSON. You say that you get 500 barrels per day. Approximately how many wells produce that amount?

Mr. GRAY. Approximately 90.

Senator WATSON. From what to what?

Mr. GRAY. Anywhere from one-half a barrel to 8 or 9 barrels.

Senator WATSON. Eight or nine barrels?

Mr. GRAY. Yes, sir.

Senator WATSON. Can you continue to operate a well producing half a barrel a day?

Mr. GRAY. We have been doing it.

Senator WATSON. That, of course, depends upon prices?

Mr. GRAY. Yes. We have operated some wells at more than they actually bring us, hoping that we would receive higher prices.

I would like to say, in addition to that, that the industry in the mid-continent field has been shut down from 70 to 75 per cent during the entire year and that thousands upon thousands of men have been out of employment.

Senator WATSON. How old are your wells, Mr. Gray?

Mr. GRAY. They range anywhere from one year to seven or eight years in age.

Senator WATSON. Were they originally large producers?

Mr. GRAY. Most of them were of fair size at one time; yes, sir.

Senator SMOOT. As to those wells that have been closed down, can they be started up again?

Mr. GRAY. No, sir. That is the reason we do not want to close them out. We operate them at a loss.

Senator SMOOT. You said that 70 per cent were shut down.

Mr. GRAY. No, sir; I said the industry was shut down to the extent of 70 to 75 per cent. I meant drilling in new fields and the development of new production.

Senator SMOOT. That is a different proposition.

Mr. GRAY. We have to operate the old wells at a loss because if we shut them down the chances are they will never be of any more value, so we have to continue to operate them.

I want to submit in behalf of the industry and the association that we represent that we want to get off the free list, if we can. We are not going to insist on a dollar a barrel, or even 50 cents. We are going to meet the proposition of conservation half way and say that we are willing to accept the countervailing duty. If you will put us on the same basis as Mexico, Colombia, and Venezuela—the countries from which the great bulk of the foreign oil will come into this country for the next 25 years—we will be satisfied. We do not feel, however, that it is fair for those countries to put a duty that is practically prohibitive against us and then for us to open our markets wide to them.

Senator SMOOT. Mexico's duty averages about 39 cents, does it not?

Mr. GRAY. That is the export duty.

Senator SMOOT. Yes. Do you mean the import duty?

Mr. GRAY. They have a heavy import duty.

Senator McLEAN. You say "heavy." What is it?

Mr. GRAY. It is about \$3 a barrel on fuel oil.

Senator SMOOT. Do you want \$3 a barrel?

Mr. GRAY. No. Here is what we are asking for: We ask for a provision in the tariff bill in line with the President's suggestion to the effect that the tariff in this country shall be equal to whatever tariff, plus an export duty, is maintained by the other countries. That, of course, would have the result temporarily, until this Government and the country in question could get together and adjust the tariffs, of making the duty prohibitive.

Senator SMOOT. That would be \$3.39 per barrel in Mexico?

Mr. GRAY. Yes. They adjust theirs whenever they please.

During the last summer the Mexican Government was forced to come into Texas to buy large quantities of oil for their railroads. They bought it by the trainload out of the Wichita Falls district

There were a great many industries in Mexico which sought to do the same thing. They had a strike on in southern Mexico and these industries wanted to get the oil. President Obregon issued a decree in which he prohibited that. He raised the tariff to such an extent that it could not be done. In other words, the Mexican Government could buy its oil, but the consumer in Mexico was denied the opportunity to buy his supply in this country. If we had had those markets open to us last summer, it would have relieved the situation.

Senator WATSON: Do we export any to Mexico?

Mr. GRAY. No, sir; their tariffs are against it.

There seems to be a general opinion prevailing that there should be some conservation of the oil supply in this country. That seems to be the opinion among a great many of the people, largely in Washington. In this country oil belongs to the man who owns the property. It is a vested right. I do not think that the Government has any right to say to me that my property shall be conserved. Bearing in mind that the title rests in me, not in the Government, I say the Government has no right to say that my property shall be conserved. I think the object of the Government should be to afford me an opportunity to get for my oil the best price that I can.

The Mexican Government has undertaken to conserve the supply of oil in its country by article 27 of its constitution, in which it gathers back from the owner to the Government the natural resources of the country. We have protested against article 27 of their constitution. At the same time, we are indirectly undertaking to conserve the oil in this country.

So far as the price of oil is concerned, it will be conceded that a direct tariff will raise the price on fuel oil. If I were passing a conservation measure for the benefit of the posterity of this country, I would prohibit, by law, the use of any of the oils in this country for fuel at all.

Senator WATSON. Do you mean fuel oil for ships, too?

Mr. GRAY. For everything; yes, sir. I say that because if it is exhaustible, there will come a time when that lamp there will cease to burn and when all the machinery we have now will cease to operate. We will then go back many generations.

Senator SMOOT. When that time comes there will be other means for moving the machinery.

Mr. GRAY. I am very frank to say that the shale beds in the Rocky Mountains will furnish oil for this country for at least a century, and certainly that is far enough to look forward to.

Senator WATSON. Do you know the difference in the cost of operating a merchant vessel of, say, 10,000 tons' capacity, when that ship uses coal and when it uses oil for fuel? And do you believe that if our merchant marine should use coal instead of oil we could compete with the foreign merchant marine using oil?

Mr. GRAY. So far as I am concerned, I am unable to say. I am not familiar with those conditions. I know something about the coal situation. I believe in giving the coal man protection as we go along. I do not believe in shutting down the coal mines in the United States in order to afford a market for Columbia and Mexico and Venezuela in oil.

Senator WATSON. Is there any danger of that?

Mr. GRAY. I think so. I think it has had a marked effect. So far as Oklahoma is concerned, I know that the railroads run right through coal mines while burning oil.

Senator WATSON. You probably know there is quite a difference in the cost of operating vessels by the use of coal and those carrying the Diesel engines where they use oil for the manufacture of steam.

Mr. GRAY. I grant you that it may be more economical to burn the oil.

Senator WATSON. It is absolutely essential if we are to have a merchant marine, because the English ships are oil-burning ships, and if we burn coal we can not compete with them. If those ships go off the sea, that creates no additional demand for coal, so that your coal argument, so far as the vessels are concerned, falls to the ground.

Mr. GRAY. I am not familiar, of course, with the details of the merchant marine or the shipping industry at all. I am very familiar with the fuel-oil situation as it affects the industrial condition of the United States.

Senator SMOOT. You are an oil producer?

Mr. GRAY. Yes, sir.

Senator SMOOT. What are you asking per barrel for protection? What do you claim you need in order to live?

Mr. GRAY. We have prepared a complete schedule.

Senator SMOOT. Very well. We will look at the schedule. I wanted to know for my own information.

Mr. GRAY. It will be found in the brief and argument in favor of a tariff on oil prepared for the Oklahoma Oil Men's Protective Association. This is a scientific schedule worked out by the Bureau of Mines.

Senator HARRELD. How long is that? Perhaps it is too long to print.

Senator SMOOT. The whole thing will be put in the record. I want to see it.

Mr. GRAY. We ask that it be put in the record.

Just a moment on the question of a countervailing duty. If our request is put into effect, it will be necessary for the Executive of this Government to treat with the executives of any foreign country with regard to what the tariffs, both export and import, shall be. At least, this country will get one-half of whatever export duty may be levied, and I am frank to say to you that, in my judgment, unless some action of that kind is taken those foreign governments will place upon the oil export of this country all that the traffic will finally bear, and they have demonstrated already a willingness to do that. In other words, the export duty has already been raised to 40 cents, and I now understand they are considering the proposition of raising it somewhat higher next year.

Senator SMOOT. Can you tell why you ask for 1½ cents per gallon on crude and on refined gasoline but one-half cent?

Mr. GRAY. I beg your pardon, Senator?

Senator SMOOT. You are asking on crude gasoline 1½ cents a gallon, but on refined gasoline you ask only one-half a cent.

Mr. GRAY. Crude gasoline would be gasoline that would have to be treated.

Senator SMOOT. It is tops. But why should tops be 150 per cent higher than the refined product? That is what I want to get at.

Mr. GRAY. Well, I think that was worked out on the theory of reducing the price of gasoline to the ultimate consumer.

Senator SMOOT. Is it not because there is no gasoline refined in any other country? Generally refined pays more than crude. You have it reversed. Here crude is 150 per cent higher than refined.

Mr. GRAY. I thought myself that it ought to be reversed, but I was overruled.

Senator SMOOT. I did not know but that you knew about it.

Mr. GRAY. No, sir.

Senator McCUMBER. We thank you very much.

BRIEF OF THE OKLAHOMA OIL MEN'S PROTECTIVE ASSOCIATION.

It has been urged by opponents of a tariff on Mexican oil that it would increase the price of gasoline. Those who make such a statement are either misguided or uninformed, for precisely the opposite will occur.

The two principal elements entering into the making of the price of crude oil is the refinery price of gasoline and of fuel oil. There was a time many years ago when the price of kerosene and lubricating oil were the two principal factors which entered into making the price of crude oil at the well; but that time has long since passed. To-day if the refiner can get a good price for gasoline and fuel oil, he can and does pay a good price for crude; but if the demand for either of these commodities for any cause is lessened, he must increase the cost of the other or else reduce the price of crude oil, and if the refiner reduces the price of crude oil below the cost of production, there is certain to result the abandonment of many thousand small wells and a nation-wide curtailment of drilling operations which inevitably results in a shortage of oil, followed by tremendously high prices of crude oil for the purpose of stimulating development and encouraging the increase of production.

On December 1, 1920, the price of mid-continent crude stood at \$3.50 per barrel, the highest price in the history of the industry. Production throughout the mid-continent field was sufficient to take care of the country's needs. However, there was being imported into this country at that time an excess of 450,000 barrels of crude oil, a day from Mexico, which, taken with the production of this country, created an oversupply. Wells producing from 40,000 to 100,000 barrels per day were being opened in Mexico daily. It was possible to transport this oil to the United States for much less than the cost of transporting oil from the mid-continent field to the seaboard.

By January 1, 1921, stocks of crude oil were piling up in the United States at a rapid rate, and it became apparent to all that there was to be a price collapse. Just how far it would go no one could foresee. The price of oil was rapidly cut, however, until the price stood at \$1.75, which was the approximate production cost of mid-continent crude. However, this cutting of the price from \$3.50 to \$1.75 did not immediately produce a sufficient decline in production to stabilize the refined market. Therefore, the price was reduced still further in order to effect a decline in production in the United States, and about June 15, 1921, the price of mid-continent crude was reduced to \$1 per barrel. The great producing industry of the United States found itself almost totally paralyzed. Hundreds of thousands of men have been thrown out of employment; thousands of individuals and corporations engaged in business were financially wrecked. The price of crude oil has been cut far below the cost of production in order to make room for the oversupply of low grade crude coming from Mexico.

We respectfully represent to you that this is not conservation of a national resource of this country, but is destruction. It is to prevent the occurrence of just such another disaster as this that we now seek and ask Congress to place such a tariff upon Mexican crude as will be sufficient to stabilize the market, thus protecting the producer as well as the public.

We believe that the only way to avoid an acute shortage in the supply of gasoline in the very near future is to raise the price of all light oil in the United States to a price at which it can be profitably produced. If the low grade oils are to continue to come in here, duty free, and to be made the basis of fixing the price of fuel oil, then the price of gasoline must inevitably be raised high enough to absorb the loss refiners will sustain in competing with Mexican crude in the sale of fuel oil.

A careful survey of the petroleum situation of the United States reveals the following facts:

1. The United States is producing more oil than it consumes. Approximately 29,000,000 barrels of crude and refined oil went into storage in 1920, and for the first time four months of 1921 stocks were increased 45,000,000 barrels.

2. Imports of crude oil have increased from 70,000 barrels in 1919 to 106,000,000 barrels in 1920, and this oil is almost entirely from Mexico.

For the first four months in 1921 over 55,000,000 barrels of crude oil were imported, and if this figure is maintained, the imports for 1921 will exceed the figure for 1920 by 40 per cent.

3. The importation of so large an amount of crude oil, which has resulted in the great accumulation of stocks now on hand in the United States, has reduced the price of oil in this country over 70 per cent in the past few months. As a direct result, a large number of small wells in this country will be abandoned as they can not be operated at a profit at the present price of oil at the wells.

The abandonment of these wells will amount to a direct loss of 16 per cent of the total reserves of high-grade oil in this country.

As these small wells are a direct source of gasoline, their abandonment will within a few years cause a shortage of gasoline, which, on account of the nature of the imported product, can not be supplied by foreign oil.

4.—The geographical location of the various potential oil fields of the world is such that the United States can hardly expect to be supplied in her future needs from any countries except northern South America. This fact, taken in conjunction with the different character of this available foreign oil, makes a shortage of gasoline in the United States a grave danger unless the present domestic wells are preserved.

5. A reasonable tariff on Mexican crude oil will conserve a national resource which, once wasted, can never be reclaimed. It will insure for the United States a domestic supply of petroleum for all time and make this country independent in the petroleum field.

INCREASE IN DOMESTIC PRODUCTION AND OF IMPORTS FROM 1909 TO 1920, INCLUSIVE.

The following tabulation shows the increase in the production of petroleum and of imports of crude oil from 1909 to 1920, inclusive:

Year.	Domestic production. ¹		Imports of mineral crude oil. ²	
	Barrels.	Yearly increase.	Barrels.	Yearly increase.
		<i>Per cent.</i>		<i>Per cent.</i>
1909.....	183,171,000		70,000	
1910.....	209,557,000	14	557,000	696
1911.....	220,449,000	5	1,710,000	207
1912.....	222,935,000	1	7,383,000	332
1913.....	248,446,000	11	17,809,000	141
1914.....	265,763,000	7	17,247,000	— 3
1915.....	281,104,000	6	18,140,000	5
1916.....	300,767,000	7	20,570,000	13
1917.....	335,316,000	12	30,163,000	47
1918.....	355,928,000	6	37,736,000	25
1919.....	377,719,000	6	52,822,000	40
1920*.....	443,402,000	17	106,175,000	101

¹ 1909-1918, inclusive—petroleum removed from producing properties plus oil consumed for fuel on the leases; 1919-20—preliminary figures, petroleum removed from producing properties.

² From records of Bureau of Foreign and Domestic Commerce.

* Preliminary figures.

INCREASE IN DOMESTIC CONSUMPTION AND OF DOMESTIC STOCKS FROM 1909 TO 1920, INCLUSIVE.

The following tabulation shows the increase in domestic consumption and of domestic stocks from 1909 to 1920, inclusive:

Year.	Estimated consumption. ¹		Stocks of domestic petroleum. ²	
	Barrels.	Yearly increase.	Barrels.	Yearly increase.
		<i>Per cent.</i>		<i>Per cent.</i>
1909.....	167,089,000		116,687,000	
1910.....	191,453,000	15	131,030,000	12
1911.....	211,150,000	10	137,233,000	5
1912.....	240,188,000	14	122,870,000	-10
1913.....	261,692,000	9	122,803,000	
1914.....	281,293,000		141,550,000	15
1915.....	273,271,000	5	163,755,000	16
1916.....	318,599,000	17	162,397,000	-1
1917.....	377,736,000	19	146,042,000	-10
1918.....	412,078,000	9	121,727,000	-17
1919.....	418,477,000	1	127,867,000	5
1920.....	531,186,000	27	133,690,000	5

¹ Sum of domestic production and net imports plus decrease of stocks or minus increase of stocks.
² Held by pipe line and other marketing companies on Dec. 31 of each year.

INCREASE IN CRUDE OIL AND REFINED STOCKS, 1920-21.

The increase in crude oil and refined stocks for the year 1920 was as follows:

	Barrels.
Increase pipe line stocks.....	5,823,000
Increase refined stocks.....	17,485,000
Increase Mexican stocks.....	5,866,000
Total increase in stocks for 1920.....	29,174,000

The increase in crude and refined stocks for the first four months of 1921 was as follows:

	Barrels.
Increase pipe line stocks.....	18,212,000
Increase refinery stocks.....	22,255,000
Increase Mexican stocks.....	4,656,000
Total increase in stocks for 1921.....	44,923,000

EXCESS OF DOMESTIC PRODUCTION OVER DOMESTIC CONSUMPTION FOR 1920 AND 1921.

1920:	Barrels.	
Domestic production.....	443,402,000	
Imports.....	106,175,000	Barrels.
		549,577,000
Increase pipe line stocks.....	5,823,000	
Increase refined stocks.....	17,485,000	
Increase Mexican stocks.....	5,866,000	
		29,174,000
Domestic consumption plus exports.....	520,403,000	
Less exports.....	76,869,000	
Domestic consumption.....	443,534,000	
Less bunkering foreign bottoms.....	19,000,000	
Actual domestic consumption.....	424,534,000	
Domestic production.....	443,402,000	
Excess of domestic production over domestic consumption.....	18,868,000	

First 4 months, 1921:

	Barrels.	
Domestic production.....	168,653,000	
Imports.....	46,924,000	Barrels.
		215,577,000
Increase pipe line stocks.....	18,212,000	
Increase refined stocks.....	22,255,000	
Increase Mexican stocks.....	4,656,000	
		44,923,000
Domestic consumption plus exports.....		170,654,000
Less exports.....		25,531,000
Domestic consumption.....		145,123,000
Less bunkering foreign bottoms.....		4,000,000
Actual domestic consumption.....		141,123,000
Domestic production.....		168,653,000
Excess of domestic production over domestic consumption.....		27,530,000

The above analyses prove conclusively that the United States is producing more crude oil than it consumes at the present time. In fact, the excess of production is sufficient to care for a substantial increase in domestic consumption, which, at the present time, is considerably lower than it was in 1919 and 1920.

Domestic production and deliveries to refineries first five months 1921.

1921	Production.	Deliveries.
	<i>Barrels.</i>	<i>Barrels.</i>
January.....	38,271,000	38,603,000
February.....	35,112,000	30,193,000
March.....	40,965,000	33,924,000
April.....	40,039,000	34,039,000
May.....	41,920,000	33,382,000
	196,307,000	168,141,000
Production, first 5 months 1921.....		196,307,000
Deliveries, first 5 months 1921.....		168,141,000
Increase pipe-line stocks.....		28,166,000

(Refinery stocks of crude hold even.)

MEXICAN STOCKS.

	Barrels.
May 31, 1921 (estimated).....	13,000,000
Dec. 31, 1920.....	7,442,000
Increase Mexican stocks.....	5,558,000

Analysis of gasoline situation, 1921.

	Gallons.
Production of gasoline first 4 months 1921.....	1,640,631,261
Less increase in stocks.....	175,239,107
Consumption for 4 months.....	1,465,392,154
Average consumption per month.....	366,348,038
Consumption for 5 months (43,612,861 barrels).....	1,831,740,102
	Barrels.
Production of gasoline for first 5 months from refineries in United States	48,923,601
Produced from Mexican crude and imported.....	10,576,280
Total domestic production of gasoline.....	38,347,321

The products from Oklahoma-Kansas grade of oil, which is typical of the light oils of the United States, during month of March, 1921, are the following:

	Per cent.
Gasoline.....	35.8
Kerosene.....	12.1
Gas and fuel oil.....	41.8
Lubricants.....	2.5
Miscellaneous products.....	3.4
Loss.....	4.4
	100.0

During the first five months of 1921 there were 28,166,000 barrels of oil of this character added to domestic pipe-line stocks, refinery stocks holding approximately even. Estimating a yield of 30 per cent gasoline, 45 per cent fuel and gas oil, this domestic stock would make 8,449,800 barrels of gasoline; 12,674,400 barrels fuel and gas oil.

	Barrels.
Estimated domestic production of gasoline.....	38,347,321
Estimated production from stocks.....	8,449,800

Total possible production of domestic gasoline first five months, 1921.....	46,797,121
Domestic consumption and exports first five months, 1921.....	43,612,873

Possible excess domestic production of gasoline..... 3,084,248

It is, therefore, a fact that our domestic oils are producing more gasoline than we use internally and export.

The exports of gasoline during the first four months of 1921 were 5,193,864 barrels. Estimating 1,000,000 barrels export for the month of May would make in round figures 6,000,000 barrels, which would make our domestic consumption 37,000,000 barrels, and on the above basis, allowing an excess of 9,000,000 barrels of gasoline, the possible production from domestic crude, together with approximately 5,000,000 barrels of casing-head gasoline, it is seen that there is a large excess of gasoline production over domestic consumption.

Analysis of fuel and gas oil production.

	Gallons.
Production from United States refineries, first four months.....	3,159,005,338
Less increase in stocks.....	219,080,130

Consumption for four months, 1921.....	2,939,925,208
Estimated consumption for May.....	734,981,302

Estimated consumption for five months (87,473,964 barrels).... 3,674,906,510

In addition to the above fuel and gas oil consumption from refineries, there were consumed 24,214,187 barrels of crude oil, which is divided as follows:

Domestic, 16,428,187; Mexican, 7,786,000; making the total consumption of fuel as follows:

	Barrels.
From refineries.....	87,473,964
Domestic crude burned.....	16,428,187
Imported crude burned.....	7,786,000
Total.....	111,688,151

Domestic production of fuel oil.

	Barrels.
The refineries of the United States produced from Mexican oil.....	60,379,399
The domestic stocks would produce.....	12,674,700
There were burned as crude.....	16,428,187

Making a total of possible domestic production..... 89,482,286

As indicated before, there was domestic consumption, plus our exports, of 111,688,151 barrels of fuel oil. There were exported the first four months of 1921, 8,000,000 barrels, and bunkered in foreign bottoms 4,000,000 barrels, and the estimated exports for May are 3,000,000 barrels, making a total of exports 15,000,000 barrels.

	Barrels.
Total consumption plus exports.....	111, 688, 151
Less exports.....	15, 000, 000

Domestic consumption..... 96, 688, 151

or a shortage of 7,000,000 barrels in fuel oil over domestic production.

During this period there were imported from Mexico 44,596,760 barrels of fuel or burning oil. The deficiency in domestic production of fuel oil and exports amount to 22,000,000 barrels. It is, therefore, evident that there was an excess of 22,000,000 barrels of fuel oil imported.

EXPORTS AND IMPORTS.

The following analysis of exports and imports for the year 1920 and the first four months of 1921 indicates very conclusively that the United States is furnishing sufficient oil for its own needs and a large portion of the export requirements, as indicated in the following tables:

	Gasoline.	Kerosene.	Lubri- cants.	Gas, fuel, etc.	Crude.	Total.
1920.						
January.....	750, 121	1, 943, 928	570, 174	2, 044, 318	429, 000	5, 737, 541
February.....	802, 080	1, 804, 385	805, 089	1, 400, 115	797, 000	5, 608, 669
March.....	1, 136, 287	1, 911, 818	1, 057, 540	1, 799, 360	882, 000	6, 707, 005
April.....	1, 068, 626	1, 628, 813	925, 299	2, 076, 820	648, 000	6, 346, 558
May.....	1, 647, 511	1, 350, 122	908, 795	1, 844, 027	703, 000	6, 538, 455
June.....	1, 669, 847	1, 492, 224	634, 231	1, 946, 489	576, 000	6, 318, 791
July.....	1, 963, 410	1, 401, 673	677, 948	2, 044, 270	686, 000	6, 773, 301
August.....	1, 451, 279	1, 796, 088	820, 634	1, 635, 781	533, 000	6, 236, 782
September.....	985, 881	1, 505, 861	683, 952	1, 542, 446	736, 000	5, 454, 140
October.....	1, 616, 659	1, 680, 221	780, 121	2, 615, 631	749, 000	7, 441, 632
November.....	956, 050	1, 923, 755	826, 547	1, 552, 275	635, 000	5, 893, 627
December.....	1, 599, 602	2, 150, 896	1, 206, 430	2, 105, 681	690, 000	7, 752, 599
Total 1920.....	15, 645, 353	20, 589, 774	9, 981, 760	22, 607, 213	8, 405, 000	76, 869, 100
1921.						
January.....	1, 335, 857	1, 995, 219	906, 155	2, 831, 996	735, 647	7, 704, 664
February.....	1, 357, 944	1, 827, 371	727, 081	1, 970, 333	799, 121	6, 451, 850
March.....	1, 144, 122	1, 553, 643	353, 771	1, 837, 412	728, 264	5, 617, 212
April.....	1, 356, 141	1, 399, 556	537, 725	1, 720, 826	742, 916	5, 757, 164
Total, 4 months, 1921....	5, 193, 864	6, 475, 789	2, 524, 732	8, 360, 557	2, 975, 948	25, 530, 890

In 1920 the volume of exports was distributed as follows:

	Per cent.		Per cent.
United Kingdom.....	25	Brazil.....	2
Canada.....	23	British India.....	2
France.....	12	Sweden.....	2
China.....	8	Denmark.....	2
Netherlands.....	5	All others.....	8
Italy.....	5		
Chile.....	3	Total.....	100
Japan.....	3		

As the foreign producing oil fields become more developed, our export situation will change. It will be found that practically all of Europe will be supplied by the European fields. South America is rapidly being supplied from the South American fields. The new fields of Canada will supply that country, and the United States will necessarily become increasingly self-centered in the petroleum industry and will have to conserve their internal resources for their internal consumption.

The imports from Mexico by months for the year 1920 and for the first five months of 1921 are given in the following table in round figures:

1920	Barrels.	Increase 1920 over 1919 (barrels).
January.....	6,293,252	2,393,978
February.....	4,939,913	1,284,370
March.....	6,502,835	3,010,035
April.....	6,196,000	1,215,805
May.....	6,996,000	2,222,605
June.....	8,120,000	3,418,788
July.....	6,768,000	2,305,090
August.....	10,791,000	6,647,555
September.....	11,650,000	7,241,994
October.....	11,381,000	5,494,710
November.....	13,750,000	8,811,119
December.....	12,847,000	8,470,874
Total.....	100,175,000	53,513,400

1921.	Barrels.	Light.	Heavy.	Tops.
		Per cent.	Per cent.	Per cent.
January.....	13,200,000	61	22	17
February.....	11,400,000	61	25	14
March.....	12,000,000	61	24	15
April.....	10,000,000	59	29	17
May.....	9,000,000	61	22	17
Total.....	55,600,000			

	Barrels, 12 per cent gas.
Divided: Light over 16° B., 61 per cent is.....	33,916,000
Heavy less than 16° B., 24 per cent is.....	13,344,000
Tops (crude gasoline), 15 per cent is.....	8,340,000
	55,600,000

It will be noted that in the month of August the imports increased nearly 50 per cent over that of the month of July, 1920, and have maintained a gradually increasing rate since that time.

For 1921 an analysis of the products is given, showing that the character of the imports has changed over that of 1920.

In this connection it must be explained that Mexican tops are what is called "crude gasoline" in Mexico and consists of the lighter distillates which are subsequently further refined in the United States.

During 1920 the Bureau of Mines divided the production of Mexican imports as follows:

	Per cent.
Gasoline.....	9.66
Gas and fuel oil.....	87.88
Lubricants.....	.28
Miscellaneous.....	.84
Loss.....	1.34
	100.00

Continuing the analysis of the products of Mexican oil for the first five months of 1921, according to the estimates of yields made by the Bureau of Mines, we find that—

33,916,000 barrels Mexican crude yields:	Barrels.
Gasoline, 12 per cent.....	4,069,920
Gas and fuel oil, 86 per cent.....	29,167,760
Loss, 2 per cent.....	678,320
8,340,000 barrels Mexican tops yield:	
Gasoline, 75 per cent.....	6,255,000
Gas and fuel oil, 25 per cent.....	2,085,000
Heavy oil used as fuel.....	13,344,000
Total.....	55,600,000

There were in addition imported from Mexico the first five months of 1921, 252,360 barrels of refined gasoline, which gives the following estimated products from—

Mexican imports:	Barrels.
Gasoline refined in United States.....	10,324,920
Gasoline imported.....	252,360

Total gasoline.....	10,577,280
Gas oil, fuel, and crude burned.....	44,596,760

The products of Mexican crude and tops imported are, therefore, as follows:

	Per cent.
Gasoline.....	18.5
Gas and fuel oil.....	80.0
Loss.....	1.5
Total.....	100.0

This disregards the small amount of kerosene, lubricants and asphalts that are probably made from Mexican oil—the total amounts of which are unimportant.

From the above it will be seen that there has been a decided change in the character of exports, which is due to the building and operation of refineries in Mexico.

The total products of all oil run to refineries in the United States during 1920 were as follows:

	Barrels.	Per cent.
Gasoline.....	116,251,110	26.81
Kerosene.....	55,216,558	12.72
Gas and fuel oil.....	210,989,931	48.60
Lubricants.....	24,921,627	5.75
Miscellaneous.....	7,795,864	1.80
Losses.....	18,742,939	4.32
Total.....	433,915,029	100.00

DECLINE OF PRODUCING OIL WELLS AND THE EFFECT OF A SUBNORMAL PRICE OF OIL ON THE SMALL WELL.

An oil well declines at a more or less uniform rate over its entire life. At a certain point it reaches what is called its "economic limit" at which time the revenue derived from the sale of the oil from the well will be less than the cost of its operation. At such time the well is abandoned.

At the present price of \$1 per barrel, the economic limit of oil wells in the mid-continent field is approximately two barrels and reaches this point in the fifth year of its life. At \$2 per barrel, the economic limit is approximately one-half barrel per day. In the fields east of the Mississippi River the economic limit of a well is approximately one barrel per day at the present price of oil, and this difference is made up by a differential in the price of crude oil in the different fields. In other words, the price of eastern oil is approximately 225 per cent that of other oil in the mid-continent field.

In the mid-continent field there are at present, to May 31, 1921, 82,311 producing oil wells with a total average production of about 6 barrels per day. Of these wells 33,782 are over five years old, and, based upon the initial production of 1920, are producing 2 barrels or less per day. The balance of the wells produce more than two barrels per day.

The average number of producing wells drilled in the mid-continent field for the past five years has been 9,700 wells per year. It is, therefore, easily seen that there are passing into the class of five years and over, 9,700 wells per year in the mid-continent field alone.

There were on May 31, 1921, 170,647 wells, which produced 131,000 barrels daily during the month of May, or 0.77 of a barrel per day, in the oil fields east of the Mississippi River. This makes a grand total of 204,429 wells producing 2 barrels and less per day. There is a grand total of 266,217 wells in the United States, of which 254,226, or 95.5 per cent of the total, are in the mid-continent, Rocky Mountain, and eastern divisions, which divisions produce all of the light oil of the United States.

If 204,000 wells producing 2 barrels and less per day are abandoned at the present time, due to the low price of crude oil at the wells, the amount of oil that these wells would have produced in the future will be irrevocably lost. This production will average from 2,500 to 3,000 barrels per well, or a total future production of 612,000 barrels.

There are approximately 18,000 wells drilled each year which will go into the above class. The future production of these wells is estimated at 54,000,000 barrels. The total available supply of unmined petroleum for the United States, as estimated by the United States Geological Survey, as of January, 1919, follows:

Total available supply, United States.

[Estimate of January, 1919—U. S. Geological Survey.]

	Barrels.
Appalachian fields.....	550,000,000
Lima, Ind.....	40,000,000
Illinois.....	175,000,000
Kansas and Oklahoma.....	1,725,000,000
North Texas.....	400,000,000
North Louisiana.....	100,000,000
Wyoming.....	400,000,000
Alaska, Colorado, Michigan, etc.....	350,000,000
Total light oil.....	3,740,000,000
Gulf coast.....	750,000,000
California.....	2,250,000,000
Total heavy oil.....	3,000,000,000
Total light oil.....	3,740,000,000
Total heavy oil.....	3,000,000,000
Total visible.....	6,740,000,000
	Per cent.
Light oil.....	55.5
Heavy oil.....	44.5

Therefore, if 204,000 wells, which control the total future production of 612,000,000 barrels of oil, are abandoned, 16 per cent of the total light-oil reserves would be lost. If 18,000 wells per year are abandoned on account of reaching the economic limit, 1.4 per cent of our total estimated reserves of light oil would be destroyed annually.

Fifty per cent of the present production of petroleum in the mid-continent field, which produces 79 per cent of the light oil produced and probably 75 per cent of the casing-head gasoline production, is estimated to be from wells under 18 months old. The decline of these wells is very rapid, and during the next year they will only be producing 50 per cent of their present production. It is impossible to drill new and "wildcat" wells under present conditions.

Should the present flooding of the market continue, a large proportion of the small wells will necessarily be abandoned. The drilling of new wells being impractical, the production must necessarily become much reduced, and the internal supply of gasoline will be cut by about 40 per cent. This will necessitate an increase in the price of gasoline to warrant the drilling of new wells, and the country will be absolutely dependent upon flush production until such time as these wells become more settled. At that time the United States will be dependent largely upon the importation of foreign oils for its gasoline supply.

In May, 1921, the total production in the United States was 41,920,000 barrels, of which the fields produced as follows: Mid-continent, 22,604,000 barrels, or 56 per cent of total, or 78 per cent of light oil; Rocky Mountain, 2,101,000 barrels, or 4 per cent of total, or 7 per cent of light oil; eastern, 3,946,000 barrels, or 9 per cent of total, or 14 per cent of light oil; California, 10,448,000 barrels, or 25 per cent of total; Gulf coast, 2,821,000 barrels, or 6 per cent of total.

Sixty-nine per cent of all the oil produced was light or oil of high gasoline content, and 31 per cent of all oil produced was heavy or oil of low gasoline content.

As above stated, 95.5 per cent of the total wells produced 69 per cent of the total oil produced, or all of the light oil.

THE GENERAL EFFECT OF THE CONTINUED IMPORTATION OF LOW-GRADE OILS UPON THE PRODUCTION OF GASOLINE.

The total daily production of high-grade gasoline producing oils during April was an average of 899,000 barrels per day, low-grade oils, including California and Gulf coast, 436,763 barrels, making a total of 1,366,000 barrels per day.

As estimated under "Decline of producing oil wells," there are 33,782 wells producing 2 barrels per day in the mid-continent field, or a total production of 67,564 barrels; all of the eastern fields producing less than 2 barrels per day per well, with a total of 132,257 barrels per day, making a total of 200,000 barrels per day affected, which is 22 per cent of the total high-grade oil production, or 17.2 per cent of the total daily gasoline production.

If Mexican oils were required to replace all of this gasoline, it would take 566,370 barrels of Mexican oil per day; but, estimating that 50 per cent of these small wells would be abandoned and this gasoline replaced by Mexican gasoline, we see that 280,000 barrels per day of Mexican oil would be required to replace the gasoline lost. Under the latter estimate it would take 103,000,000 barrels of Mexican oil per year, producing 12 per cent gasoline, to replace the gasoline lost through the abandonment of the small wells. All of this oil would be refined on the eastern coast. The freight rate on a gallon of gasoline from New York to Kansas City is 11½ cents at present. (Note: See "Transportation.")

Assuming this gasoline is sold at the present price in New York of 16 cents plus 11½ cents would make 27½ cents delivered in Kansas City, plus the jobber's spread of 4 cents would make 31½ cents tank-wagon price of gasoline in Kansas City. All of this excess would be paid by the consumer. The fuel situation would remain the same as at present, as this importation of Mexican oil would care for the fuel consumers of the East. The fuel situation in the mid-continent field would remain as it is, but the mid-continent refiners would have an increase in gasoline price from 11½ cents, the present price, to 21 cents at the refinery, which would relieve the situation.

The farmer, with his automobile and tractor, is a large consumer of gasoline. The following tabulation indicates the location of automobiles. From the figures of the Automobile Chamber of Commerce, automobiles, pleasure cars, and tractors are distributed as follows:

	Pleasure cars.	Commercial carr.
	Per cent.	Per cent.
26 Central States.....	61	45
19 Eastern States.....	30	47½
3 Western coast States.....	9	7½

This indicates that the farmer would be the principal sufferer from the increased cost of gasoline. This tabulation does not take into consideration the use of the tractor on the farm, of which there is no official record, but tractor use is largely increasing and is reducing the cost of farming by a very large percentage, and it is principally in the Central States that it is used.

THE COMPARISON OF PRICES OF MID-CONTINENT CRUDE AND OPERATING COSTS.

The prices of Kansas-Oklahoma crude oil are used, as that grade produces the major portion of the high-grade oil of the country. Prices of eastern oils equal about 2.25 times the price of Kansas-Oklahoma. The operating costs average approximately \$1.75 more per barrel, due to the fact that the average size of the wells are considerably less than in the mid-continent field.

Year.	Price.		Lifting costs (company No. 1).		Complete costs (company No. 2).	
	Per barrel.	Per cent.	Per barrel.	Per cent.	Per barrel.	Per cent.
1913.....	\$0.9511	100	\$0.165	100	\$0.337	100
1914.....	.803	84.5	.16	100	.636	189
1915.....	.587	62	.16	100	.37	110
1916.....	1.189	125	.18	112	.61	181
1917.....	1.73	182	.30	187	.76	226
1918.....	2.19	230	.52	324	1.22	362
1919.....	2.20	241	.58	362	1.47	345
1921.....	1.30	135	.53	331	1.50	445

¹ June.

² 5 months.

The accompanying graph compares the price of mid-continent oil based upon the price in 1913 as 100, the lifting cost of one large operating company basing their cost for 1913 as 100 and the total operating costs of another large company basing their costs for 1913 as 100. It must be understood that no profits are included in these costs. The complete costs include lifting, rentals, depreciation, and exact cost depletion. For the economic operations of an oil company at least 20 per cent should be added to the costs to make it a profitable operation, due to the high percentage of risk, and to allow for the payment of a reasonable return on the money invested.

The Mid-Continent Oil & Gas Association states as follows:

"The cost of drilling an average 2,500-foot well in the mid-continent field was \$32,401 in 1920. Recent reductions in labor and material have reduced this 15 per cent, to \$27,540.85. A compilation of other mid-continent production costs of 1920 based upon an actual examination of the books of 21 oil-producing companies and individuals, each of whom was a competent, well equipped operator with a large number of wells of varying ages and localities, has been completed by the Mid-Continent Oil & Gas Association. The 21 producers whose records were examined produced 25,860,403 barrels in 1920, from 8,628 wells located on 1,266 operated leases. The average cost figures per barrel were as follows:

Lifting expense.....	\$0. 5222
Overhead expense.....	. 2007
General expense, including lease rentals.....	. 7041
Depreciation of machinery and equipment.....	. 2454
Total, excluding depletion.....	1. 6724

Adding depletion charges and certain items of development expense not capitalized, the total cost per barrel exceeded \$2.26.

"These 21 operators produced an average per operator for the year of 1,231,448 barrels, or 8.1 barrels per well per day.

"In Pennsylvania and other eastern fields where the average production is only half a barrel per well per day the cost of production exceeds \$3 per barrel. This illustrates the fact that it is more expensive to produce oil from wells with a low rate of production.

"While costs of production have declined in recent months about 15 per cent, the price of crude oil has been reduced 71 per cent."

A study of the graph indicates that while the price of oil is at 1.30, the costs of lifting are still 330 and the total costs are 445. This situation is largely due to the fact that the pipe mills have not reduced their costs sufficiently, that the railroad rates on all material to the oil fields are excessive, and that labor has not reduced to compare with the reduction in the price of oil. Were all costs down to the level of 1913, oil could be produced at \$1 per barrel at a profit, but under present conditions it is an impossibility to produce oil at this figure.

COST OF PRODUCING MEXICAN OIL.

The entire cost of producing Mexican oil is practically in the purchase of the property and in the drilling. It costs from \$45,000 to \$75,000 to complete a well in Mexico. The operation after that is practically nothing. The production is large and of a continuous flow until the well is exhausted.

We are informed that oil can be produced in Mexico profitably at 11 cents per barrel. The loading charges are about 25 cents per barrel. The export tax and the vessel rates—which average together about 80 cents—are much lower than the normal handling costs of domestic oil.

Mexican oil can be placed in New York at \$1.25 per barrel and furnish a reasonable profit to the operators.

CASING-HEAD GASOLINE.

The information on casing-head gasoline is somewhat meager. During 1920 there was a total production of probably 10,000,000 barrels, of which 3,100,000 are accounted for in the refinery statistics and 7,000,000 were distributed direct.

There will probably be a production of 14,000,000 barrels of casing-head gasoline during 1921. The only casing-head gasoline of which records are available for 1920 and 1921 is considered with the refineries, and as the balance is distributed direct, it does not enter into the present computations directly, but should the present price of oil continue and cause the abandonment of a large number of small wells the loss of casing-head production will be severely felt, as probably 75 per cent of the total production of casing-head gasoline is from small wells, and when the small well is abandoned the casing-head gasoline goes with it.

OUR FUTURE OIL SUPPLY.

Dr. David White and Mr. Eugene Stebinger, of the United States Geological Survey, in an article entitled "Our future oil supply," published in the Engineering and Mining Journal, June 4, 1921, estimate the total oil reserves of the world as 43,000,000,000 barrels, to which should be added 17,000,000,000 barrels on geologic evidence. The data for this estimate is very adequate for the United States; for the foreign countries it is largely conjectural.

Oil resources of discovered oil regions of the world.

	Millions of barrels.
United States and Alaska.....	7,000
Canada.....	995
Mexico.....	4,525
Northern South America, including Peru.....	5,730
Southern South America, including Bolivia.....	3,550
Algeria and Egypt.....	925
Persia and Mesopotamia.....	5,820
Southeastern Russia, southwestern Siberia, and the region of the Caucasus... ..	5,830
Rumania, Galicia, and western Europe.....	1,135
Northern Russia and Saghalien.....	925
Japan and Formosa.....	1,235
China.....	1,375
India.....	995
East Indies.....	3,015
Total.....	43,055
Total Eastern Hemisphere.....	21,255
Total Western Hemisphere.....	21,800
Total north of Equator.....	36,400
Total south of Equator.....	6,655

From the above table it is seen that the total supplies in the Western Hemisphere are 21,800,000,000 barrels, of which the United States and Alaska contain 7,000,000,000. The estimates and locations are shown in the attached map of the world. The European and Asiatic oils are not available for use in the United States. A study of the map indicates that all oil supplies south of the Equator in South America are as close to foreign as to our domestic markets. We have left, therefore, available to domestic markets the oil of Mexico and the oil in the northern part of South America, viz, Colombia, Venezuela, and Peru. The Canadian oil will be used internally. The estimate for Mexico is perhaps high, a correct figure being nearer 3,000,000,000 barrels. This would leave approximately 9,000,000,000 barrels of foreign oil available to the United States. The gasoline content of Mexican oil is not over 12 per cent. South American oil will not average over 14 per cent gasoline content. The average of our domestic high-grade oils is at least 30 per cent, and under improved refining methods can be made 40 per cent. There is at least a ratio in gasoline production in favor of our domestic light oil supply of 2½ to 1. In other words, it takes two and one-half barrels of available foreign oil to replace one barrel of domestic light oil abandoned through raising the economic limit of production.

As shown in the statement on production, we are in danger of abandoning 609,000,000 barrels. It will take 1,500,000,000 barrels of foreign oil to replace this. It has been shown that we are in danger of abandoning 54,000,000 barrels annually through lack of producing to complete exhaustion, which in foreign oil would equal 135,000,000 barrels annually. Assuming that this abandonment should continue for a period of five years, we will have abandoned 675,000,000 barrels of possible production of domestic oil, which would take 1,687,000,000 barrels of available foreign supply to replace.

Considering the above facts, the fallacy of attempting to replace our domestic supply of high-grade gasoline oils, which will be destroyed by the free importation of low-grade oils, by reaching out for a conjectural amount of oil, which is worth only 40 per cent as much for our purpose, is seen.

The United States can, by placing a differential tariff against low-grade oils, conserve their internal industry and at the same time acquire the available oil in South America, and when this foreign oil is ready for import our domestic supply will be such that we can use it and at the same time maintain to the utmost our domestic production.

COMPARATIVE VALUES OF DOMESTIC HIGH-GRADE OIL AND MEXICAN OILS.

Production from one barrel Kansas-Oklahoma oil:

Gasoline, 35.8 per cent, 15.04 gallons, at \$0.115.....	\$1.77
Kerosene, 12.1 per cent, 5.08 gallons, at \$0.02.....	.11
Gas and fuel oil, 41.8 per cent, 17.56 gallons, at \$0.009½.....	.167
Lubricants, 2.5 per cent, 1.05 gallons, at \$0.13.....	.136
Miscellaneous, 3.4 per cent, 1.43 gallons, at \$0.30.....	.43
Total.....	2.613

Mexican oils topped:

Gasoline, 12 per cent, 5.04 gallons, at \$0.115.....	.58
Fuel and gas oil, 87 per cent, 3.65 gallons, at \$0.009½.....	.346
Total.....	.926

Complete contents of Mexican oils (according to G. A. Burrell, president Island Refining Corporation, issued in January, 1920):

Gasoline, 12 per cent, 5.04 gallons, at \$0.115.....	.58
Kerosene, 7 per cent, 2.8 gallons, at \$0.02.....	.056
Gas oil, 30 per cent, 12.6 gallons, at \$0.009½.....	.119
Asphalt, 45 per cent, 18.8 gallons, at \$0.031.....	.58
Total.....	1.335

(Raw asphalt estimated at \$10 per ton.)

In comparing the complete values of the two oils, it is seen that at present prices the products of mid-continent are \$2.61 per barrel, and the products of a topped Mexican oil are worth 93 cents, a difference of \$1.68 per barrel in favor of the mid-continent oil. If it were possible to completely refine Mexican oil, according to Mr. Burrell's estimate, the value would be \$1.33.

The total consumption of asphalt from refined oils in 1920 was 1,282,966 tons or 7,697,796 barrels. The consumption of asphalt for the first five months of 1921 was 265,853 tons or 1,595,118 barrels. The indicated production for the year is:

Indicated production for the year.....	Tons, 978,222
Less the indicated consumption.....	797,559

Or an excess of..... 180,673
or 1,084,038 barrels.

MARKETING AND TRANSPORTATION OF CRUDE OIL.

Crude petroleum is purchased at the wells by the refiners and marketers. Practically all of it is handled through pipe lines which are owned by the large operating companies, a large majority of which are controlled directly and indirectly by the Standard Oil Co. of New Jersey. The balance, which amounts to 40 per cent of the total, is purchased by the small local refiners and jobbers and handled through their short lines of their own plants or shipped by jobbers in railroad tank cars.

The pipe-line rates on shipments of crude from points in Oklahoma to points on the Atlantic coast in lots of 100,000 barrels each are 87½ cents per barrel, and from Texas \$1.25 per barrel. The Interstate Commerce Commission has recently ruled that the restriction of shipments to 100,000-barrel lots is unfair and that this figure should be made 10,000-barrel lots, which would help somewhat.

The railroad rate from the mid-continent field to the Atlantic coast varies from 76½ cents per hundred to 81½ cents per hundred. This rate is the same on fuel oil and slightly higher on refined oils. The weight of a gallon of oil is estimated 7.4 pounds for fuel, crude, and gas oil, and an average of 7 pounds for refined oil, which makes a rate of 5½ cents per gallon for gasoline to New York and \$2.38 per barrel for crude, fuel, and gas oil.

There is a differential on freight coming west. The rate given of 11½ cents per gallon on gasoline from New York to Kansas City would undoubtedly be changed to 5½ cents or 6 cents if there were sufficient movement in that direction.

The above rates are absolutely prohibitive to the shipment of crude, fuel, and gas oil by rail to any point farther east than Indianapolis.

The large pipe lines which run from the mid-continent field to both the east coast and Gulf coast are controlled by the large companies which are either owned by the Standard Oil Co. or closely affiliated, giving the Standard Oil Co. the absolute control of all shipments by pipe lines to the eastern markets. If the pipe lines were separated entirely from the producing companies and the open shipment of oil allowed, it would be possible to place crude oils on the eastern market at a more competitive figure.

REFINERIES IN MEXICO.

The point has been raised that a number of refineries will move from the United States to Mexico in case a tariff is placed on Mexican oil. The following list of refineries in operation and under construction answers this question. They have already moved to Mexico, and it is improbable that any more will move.

Refineries in operation.

Company and location.	Daily capacity.	Character of plant.
Compana Mexicana de Petroleo El Agulla, S. A.:	<i>Cu. meters.</i>	
Dona Ceellia.....	7,000	Complete refinery.
Tampamachoco.....	2,384	Topping plant.
Minatitlan.....	1,920	Complete refinery.
Hausieca Petroleum Co.:		
Pueblo Viejo.....	11,900	Topping plant.
Juan Casiano.....		Casing-head plant.
Penn. Mex. Fuel Oil Co.: Miami.....		Do.
Pierce Oil Corporation:		
Arbol Grande.....	¹ 1,800	Complete refinery.
Vera Cruz.....	80	Do.
Standard Oil Co.: Pueblo Viejo.....	¹ 2,064	Topping plant.
The Texas Co. of Mexico, S. A.:		
Las Matillas.....	1,590	Do.
Agua Dulce.....	¹ 2,240	Do.
Compania Productora y Refinadora La Atlantica: Mata Redonda.....	² 1,037	Do.

Total of above equals 208,000 barrels daily.

¹ Capacity states as of August, 1920.

² Capacity states as of August, 1920, but expected to be doubled by end of 1920.

Refineries under construction.

Company and location.	Minimum daily capacity authorized.	Character of plant.
	<i>Cu. meters.</i>	
Compania Mexicana Refinadora Island: Agua Dulce.....	750	Topping plant.
Compania Refinadora Del Agwi Tecamate, San Nicolas y Mata: Rodonda.		Complete refinery.
Continental Mexican Petroleum Co.: El Higuero lotes 52 fracciones, 48 y 49 de Pueblo Viejo.	1,590	Do.
Petroleum Maatschappij La Corona: Pueblo Viejo.....	795	Do.
Compania Mexicana de Petroleo El Agulla, S. A.: Los Naranjos, lote 160 de Amatlan.	70	Casing-head plant.

Total of above equals 20,159 barrels daily.

Refineries projected.

Concessionaire.	Location.	Minimum daily capacity authorized.
		<i>Cu. meters.</i>
Joseph Eisner Vel Shaller.....	Mata Redonda.....	378
Compania Terminal de Lobos, S. A.....	Terminal de Vinas Panuco..	500
Modesto C. Rolland.....	Puerto Progreso.....	100
Aberlardo Monges Lopex.....	Pueblo Viejo.....	(¹)

¹ Not known.

The majority of the refineries are topping plants. Under present conditions it is impractical to completely refine Mexican oil, as the cost is prohibitive in comparison with the results and many products are made by complete refining for which there is not sufficient market.

SUGGESTED TARIFF SCHEDULE.

The following schedule is suggested as a tariff on imported oil. It will bring the cost of imported oil to a figure which will permit the operation of domestic wells and would equalize the difference in the values of the oils produced.

	Per gallon.	Per cubic meter.
Crude petroleum:		
Over specific gravity 0.98 Be. 12.8.....	\$0.02	\$5.28
Over specific gravity 0.925 Be. 21.3.....	.03	7.93
Under specific gravity 0.925 Be. 21.3.....	.02	5.28
Oil, fuel and gas oils.....	.03	7.93
Crude gasoline (tops).....	.0125	7.96
Refined gasoline.....	.005	3.14
Crude kerosene.....	.02	5.28
Refined kerosene.....	.02	5.28

The United States should have a tariff such as suggested for the protection of their internal industry.

NOTE.—All statistical figures are compiled from the data of the United States Geological Survey and the United States Bureau of Mines.

STATEMENT OF ALFRED P. THOM, GENERAL COUNSEL OF THE ASSOCIATION OF RAILWAY EXECUTIVES.

Mr. THOM. Mr. Chairman and gentlemen of the committee, I appear here at the request of some of the oil-burning railways of the West to present a memorandum prepared by Mr. Joseph M. Bryson, general counsel of the Missouri, Kansas & Texas Railway.

The American Petroleum Institute reports that the railroads of the United States consumed 41,772,000 barrels of fuel oil in 1920. The Interstate Commerce Commission reports the railroads' consumption for 1920 at 55,590,783 barrels. The latter figure is probably the more accurate, for the reason that it was compiled from detailed reports made by individual lines in connection with a special fuel inquiry conducted by the Interstate Commerce Commission in response to Senate Resolution No. 412, adopted December 27, 1920.

I have here a list showing, by States, the more important railroads using fuel oil:

Arizona: Atchison, Topeka & Santa Fe and Southern Pacific Co.

Arkansas: Kansas City Southern and Missouri Pacific.

California: Atchison, Topeka & Santa Fe; Los Angeles & Salt Lake; Northwestern Pacific; San Diego & Arizona; Southern Pacific Co.; Tonopah & Tidewater; and Western Pacific.

Florida: Florida East Coast Railway.

Georgia: Central of Georgia.

Idaho, Washington, and Oregon: Chicago, Milwaukee & St. Paul; Great Northern; Oregon Short Line; Oregon-Washington Railroad & Navigation Co.; and Washington, Idaho & Montana Railway.

Kansas: Atchison, Topeka & Santa Fe; Missouri, Kansas & Texas Railway; and Kansas City Terminal Railway.

Louisiana: Atchison, Topeka & Santa Fe; Houston & Shreveport; Kansas City Southern; Louisiana Railway & Navigation Co.; Louisi-

ana Western; Morgans, Louisiana & Texas; New Orleans, Texas & Mexico; and Texas & Pacific.

Texas: Southern Pacific Lines; International & Great Northern; Texas & Pacific; Missouri, Kansas & Texas; San Antonio, Uvalde & Gulf; Gulf Coast Lines; Trinity & Brazos Valley; and Atchison, Topeka & Santa Fe.

Oklahoma: Atchison, Topeka & Santa Fe; Wichita Falls & Northwestern; and Missouri, Kansas & Texas.

Missouri: Kansas City Southern.

The southwestern railroads, including principally the Santa Fe and Southern Pacific Lines in Louisiana and Texas, the Texas & Pacific; Missouri, Kansas & Texas; International & Great Northern; Kansas City Southern, and several less important lines, consumed 16,000,000 barrels, or approximately 31 per cent of the total fuel oil consumed by railroads in the United States in 1920. The consumption of fuel oil by these lines in 1921 has been substantially increased.

The Southern Pacific and Santa Fe's western lines, the Los Angeles & Salt Lake, the Western Pacific, several short lines in Arizona and California, and sections of trunk lines in north Pacific coast territory consumed approximately 33,000,000 barrels. It will, therefore, be noted that of the total consumption by railroads of slightly under 56,000,000 barrels of fuel oil in 1920, as reported by the Interstate Commerce Commission, nearly 50,000,000 barrels was used by lines located principally in the States of Louisiana, Texas, Oklahoma, Arizona, California, Washington, and Oregon.

In no year prior to 1916, the figures used being taken from the reports of the United States Geological Survey, did the consumption of fuel oil by American railroads reach 35,000,000 barrels. This consumption of fuel oil by railroads should be considered in the light of the fact that the period of years preceding 1916 was one of very low petroleum prices. In 1915, with an importation into the United States of only 17,478,000 barrels of petroleum, crude oil sold at the well in the mid-continent producing territory as low as 40 cents a barrel.

During this period the consumption of fuel oil by railroads ranged from 30,000,000 to 32,000,000 barrels annually. The reports of the United States Geological Survey state the consumption of fuel oil by railroads in 1912 was 33,605,598 barrels. In 1913 it dropped to 33,004,815 barrels. In 1914 it dropped further to 31,093,266 barrels.

In these years the bulk of the fuel oil used by railroads was consumed by the Southern Pacific and Santa Fe in California and by other lines adjacent to new fields from which it was possible to make contracts for an adequate supply, at low prices, for a term of years.

During this period the consumption of fuel oil by railroads was not considered to be a factor in influencing the price of fuel oil in the mid-continent territory, for the reason that the railroads purchased comparatively little mid-continent fuel oil for locomotive use. Nor were the railroads able to depend upon the mid-continent production for a supply of fuel oil for locomotive use. This is evidenced by the fact that, though oil prices were so low that oil could be burned more economically than coal, there was no increase in the consumption of fuel oil by railroads, although there was a steady increase in the production of crude oil in the mid-continent territory. Several railroads did convert engines to burn oil during this period, relying

on the mid-continent production for fuel supply, but were compelled to abandon the use of oil because of inadequacy of available supply and to reconvert their locomotives to use coal. This experience has demonstrated that mid-continent production can not be relied upon as a source of fuel supply for railroads.

It is particularly noteworthy that the increased use of oil as locomotive fuel in the Southwest has been practically coincident with the increase in imports of oil from Mexico. In 1917 the imports of oil from Mexico for the first time reached 30,000,000 barrels. In 1917 the consumption of fuel oil by railroads in the United States for the first time reached 35,000,000 barrels. The annual consumption of fuel oil by railroads had been fairly constant from 1911 to 1916 at from 29,000,000 to 32,000,000 barrels. Despite greater increased domestic production in 1918 and 1919, there was a decreased consumption of fuel oil by railroads, the consumption in 1918 having been almost 6,000,000 barrels less than in the preceding year.

During the period immediately preceding 1919 it was not possible for the railroads to secure contracts for a domestic oil supply from the mid-continent territory for time periods and in sufficient quantities to guarantee them a fuel-oil supply on which they could rely for more than a few months ahead. It was not until conditions permitted the railroads to make time contracts for delivery of Mexican fuel oil that there again began to be an increase in the use of oil as locomotive fuel.

Dependability and regularity of supply is, of course, first considered by a railroad contemplating the use of oil as locomotive fuel. Contracts for such a supply, running for a sufficient time to warrant the expenditure necessary to equip the road to burn oil, must be secured. In 1919 and 1920 southwestern railroads were generally unsuccessful in an effort to contract in the mid-continent territory for domestic fuel oil in sufficient quantities to meet their requirements and for a period of more than a few months at a time.

The situation has changed materially since the summer of 1921, and several fuel-oil contracts have been made by railroads in the mid-continent territory to run for three years, with a sliding scale of prices to advance as the posted price of the mid-continent crude advances. Southwestern railroads have, therefore, contracted for the supply of the mid-continent fuel oil which is available for railroad use, in addition to that contracted from other sources. The changed condition as to supply in the mid-continent territory has simply resulted in increased use of oil as locomotive fuel. These facts indicate positively that if the southwestern railroads now burning oil as locomotive fuel were compelled to rely on domestic sources of supply it would be but a short time until most of them would be forced to discontinue the use of oil.

This would, unquestionably, result in a tremendous increase in railroad operating expenses, for the reason that most of the lines now burning oil are so located with reference to coal production as to necessitate a long rail haul from the mines with an attendant high cost of coal at fuel stations. These lines, however, may, under present conditions, secure Mexican oil on their own rails at tidewater or from domestic fields on their own rails and thus reduce fuel costs. In this connection, it is worthy of note that, in the face of steadily increasing deliveries of Mexican fuel oil to southwestern railroads

since September 1, 1921, the posted price of crude oil in the mid-continent territory has advanced 100 per cent.

High-priced coal has been an important factor in influencing the change to the use of oil as locomotive fuel in the Southwest and on the Pacific coast. Excessive fuel costs also have been an important influence toward high railroad operating costs and high transportation rates in these sections. Action which would disturb the present railroad fuel situation in the Southwest would be particularly unfortunate at this time, when the necessity for reductions in railroad expenses and railroad rates is so generally recognized.

Estimates, based on figures furnished by the individual lines in the Southwest, which in 1920, with approximately 2,000 locomotives equipped as oil burners, consumed 18,000,000 barrels of oil as locomotive fuel, show that an expenditure of approximately \$80,000,000 would be imposed upon these lines within 12 months were they compelled to return to the use of coal as locomotive fuel. The reconversion of locomotives in the Southwest now equipped to burn oil, the additional locomotives required, the necessary coaling stations, and other equipment would involve an immediate expenditure of approximately \$35,000,000. Loss of fuel efficiency, increased cost of coal over oil, and increased cost of transporting coal would result in increased expenses of approximately \$34,000,000 annually. The loss on oil equipment, storage, delivery tanks, etc., which would be incident to the discontinuance of fuel oil, would amount to at least \$9,000,000.

A restriction of imports of oil from Mexico would probably correspondingly affect the oil-burning railroads on the Pacific coast. It certainly would compel most of the southwestern railroads to return to the use of coal, experience having demonstrated that there is not sufficient of the mid-continent fuel oil to meet their need available to them. They would, therefore, be subjected to an expense which would more than counterbalance the efforts being made to reduce railroad operating costs and, therefore, block progress toward reduction in transportation costs.

Senator CURTIS. You did not prepare that brief, Mr. Thom, did you?

Mr. THOM. No, sir.

Senator CURTIS. That brief was prepared by the M., K. & T. people, was it not?

Mr. THOM. Yes, sir.

Senator CURTIS. They have a long-term contract with the Mexican oil people, have they not?

Mr. THOM. I can not tell you that, Senator.

Senator CURTIS. You know, do you not, that the M., K. & T., the Santa Fe, and the Frisco roads run right through the oil fields of Kansas and Oklahoma?

Mr. THOM. Yes, sir.

Senator CURTIS. Have you any doubt in your mind but that at any time within the last five years there has been sufficient oil in that country to supply all those railroads, if they wanted to take it?

Mr. THOM. This brief states that it was impossible for them to get it.

Senator CURTIS. Witnesses have testified that we produce more oil in this country than we use.

Mr. THOM. Yes.

Senator CURTIS. A large percentage comes from Kansas and Oklahoma fields, does it not?

Mr. THOM. That may be. I simply read to you what Mr. Bryson said.

Senator CURTIS. They have a long contract down in Mexico. That is what is the matter with them.

Mr. THOM. They may have or they may not have, but he states in this brief that they could not get long-term contracts in the mid-continent field until recently. I know nothing of this subject myself.

Senator HARRELD. I understand the gist of your statement is that in the last four or five years gradually the railroads have begun to use more fuel oil.

Mr. THOM. That is in this statement.

Senator HARRELD. Isn't that largely attributable to the fact that coal has increased in value during that period in larger proportion than oil has increased?

Mr. THOM. I assume that is the reason for the change. I assume that the reason for the change is the high cost of fuel coal as compared to fuel oil.

Senator HARRELD. How many railroads that you represent are producing oil on the side?

Mr. THOM. I do not know.

Senator HARRELD. Don't you know that the Santa Fe produces oil on the side?

Mr. THOM. That does not come within my observation.

Senator HARRELD. You mentioned it in that brief, didn't you?

Mr. THOM. That brief was prepared by Mr. Bryson and I am presenting it as his brief.

Senator HARRELD. Is it not a fact that a great many of these railroads that you represent have subsidiary companies that are producing oil on the side for the purpose of producing their own fuel and for that reason they put on oil burners?

Mr. THOM. That may readily be, but I am not conversant with the extent of it.

Senator HARRELD. Well, I know it to be the fact.

Mr. THOM. That may readily be, Senator, but I do not know.

Senator McCUMBER. Thank you very much.

Senator CURTIS. I have here a letter and a telegram that I would like to have inserted in the record.

Senator McCUMBER. They may be inserted at this point.

(The letter and telegram are as follows:)

[Letter.]

MISSOURI, KANSAS & TEXAS RAILWAY,
LAW DEPARTMENT,
Muskogee, Okla., July 2, 1921.

HON. T. A. CHANDLER,
House of Representatives, Washington, D. C.

DEAR SIR: According to the newspaper reports the proposed new tariff bill will impose a duty of 25 cents on fuel oil.

We are now burning Mexican fuel oil on about half of our locomotive engines under a five-year contract with the producers.

If this duty is imposed, it will no doubt result in a breach of this contract, because of the failure of the vendor to sell, and if this is done we will have to change all of our oil burners back to coal burners, which would be very expensive not only to ourselves but to the public through freight rates.

Oil is much more economical than coal, and there is not enough domestic production, as most of the important roads in the Southwest are now burning fuel oil.

I hope you can consistently oppose this tariff, or, if any tariff is to be placed on fuel oil, that an exception be made in favor of fuel oil used by railroads in the operation of their lines.

Very respectfully,

M. D. GREEN.

[Telegram.]

WASHINGTON, D. C., July 5, 1921.

Hon. M. D. GREEN,

General Attorney Missouri, Kansas & Texas Railway,
Muskogee, Okla.:

Your letter opposing tariff on oil. I am somewhat surprised at your stand, especially as you advise you have a five-year contract with Mexican producers. More surprised that a great corporation like yours with a large percentage of its business coming from the oil producers and refiners and people directly or indirectly interested should take position you have. You can buy fuel oil at present time in Oklahoma, Kansas, and Texas for less than cost of transportation of oil from Mexico to Muskogee, and if the railroads would follow this policy of cooperating with American industry they would enable the refiners now shut down to resume operations, thereby making business for your railroad and permit the railroads to use thousands of tank cars now filling every available sidetrack in the Southwest. You must realize that the great volume of freight business in the territory covered by your roads is due to prosperity, and if the oil industry remains paralyzed for the lack of protection it means a large decrease in the business not only of the oil industry but of the merchants and others depending upon this great industry, and the prosperity of those living in the territory traversed by your lines means more business for you, and unless some protection is afforded the oil men I predict that the depression now existing throughout that part of the country will continue and result in thousands of people leaving and merchants and other business men will fail.

T. A. CHANDLER, M. C.

**STATEMENT OF WILLIAM ALLEN, REPRESENTING VARIOUS
COMMERCIAL INTERESTS OF THE SOUTH.**

WASHINGTON, D. C., December 30, 1921.

Hon. BOIES PENROSE,

Chairman Senate Finance Committee, Washington, D. C.

DEAR SIR: For the purpose of opposing the proposed duty on imports of petroleum fuel oil a special committee has been created at New Orleans representing many of the most important commercial interests of the South, including cottonseed oil mills, ice factories, cotton mills, sugar mills, electric companies, street railways, and others. The chairman of the committee is Mr. W. E. Jervay, of the Southern Cotton Oil Co., Gretna, La.

I have been asked by this committee to appear before the Senate Finance Committee for the purpose of expressing their views. Being unable to do so, I wish to enter written protest against the proposed import duty being placed upon fuel oil. At present the high freight rate from domestic producing points and the already high prices of domestic oil practically prohibit its use for fuel oil purposes by consumers at Gulf and Atlantic ports, and because of the high freight rates from such ports to the interior this committee does not believe that foreign oil admitted free of duty will in any way adversely affect the sales of domestic oil to interior consuming points.

I respectfully request that this protest be made a part of the records of your committee and be given consideration when this subject is reached.

Very respectfully,

WILLIAM ALLEN.

STATEMENT OF STEPHEN FLEMING, WASHINGTON, D. C., REPRESENTING THE PHOSPHATE MINERS OF FLORIDA.

Mr. FLEMING. Permit me to say that I am a consumer of fuel oil, and I want to speak against the proposed tariff on that commodity.

The American Cyanamid Co.; the Charleston (S. C.) Mining & Manufacturing Co.; Morris Fertilizer Co.; Coronet Phosphate Co.; Southern Phosphate Corporation; American Agricultural Chemical Co.; Phosphate Mining Co.; and the International Agricultural Corporation, all being miners of phosphate rock in the State of Florida, request your committee to eliminate the proposed tariff on Mexican oil.

The above-named companies, under normal operating conditions, consume from 3,000,000 to 3,285,000 barrels annually of Mexican oil.

This request is made for the following reasons:

First. Ninety per cent of the phosphate rock mined in Florida is used in the manufacture of fertilizers. Increased phosphate-rock costs would increase the cost of fertilizer and curtail its use. This curtailment, under present existing conditions, would be abnormally large, as the low prices of farm products have greatly reduced the purchasing power of the farmer and planter. The elimination in any degree of the use of fertilizer would mean a reduction in the yield of all crops. The experience of the past years has fully demonstrated what this would mean to the entire business of the country.

Second. Increased cost of mining would make it necessary for us to name higher prices for the phosphate rock exported to Europe. For this European trade we are in keen competition with the African and Pacific Ocean phosphate mines. The export tonnage of the year just ending shows a reduction of between 35 and 40 per cent, although prices have declined about 50 per cent. It is our belief that were we to name higher export prices, we would be entirely eliminated from the foreign markets. The loss of this foreign business would increase the cost of mining and make it necessary to add this increased cost to the phosphate rock sold for domestic use.

Third. The miners of phosphate rock and the consumers thereof, viz, the farmers, are in the midst of a depression unparalleled, and it is not possible for them to assume additional burdens until there is a marked adjustment of the burdens which they are now laboring under.

It would be possible to present many pages of arguments relative to this proposed tariff, but we have thought it best to be brief and concise, and we hope that your committee will give full consideration to our reasons for asking you to retain Mexican crude oil on the free list, and see your way clear to do so.

In the matter of the use of domestic oils, on account of delivery prices in Florida, it would not be practical at all. In the previous discussions here the prices were said to be \$2 for the oil and \$3 for freight, total \$5. The average price that that oil is being delivered now to us from Mexico is \$1.50 a barrel; that is, delivered to our plants. So that would place upon us, if we used American oil—mining not to full capacity, but say to 80 per cent—an additional amount of \$11,500,000, which would have to be distributed in the way of fertilizers in its cost.

So that the American oil for Florida use is not competitive at all; that my own company, which is the largest in Florida, using normally about 800,000 barrels to 900,000 barrels, are operating under a contract 2 years old, and we are getting our oil from Mexico delivered at our plant at the price of \$1.10 a barrel.

Senator SMOOT. Who are you representing?

Mr. FLEMING. I am representing the phosphate miners of Florida. I gave the names at the beginning of my statement. Personally, I am president of the International Agricultural Corporation, and we are the largest miners of phosphate rock in Florida.

This tariff would ruin our export trade. To demonstrate that and carry out the belief that we would lose all of our foreign business, just recently we bid on a contract for Japan as low as \$3 a ton at the port and it went to the British mine at \$2.90. So 10 cents a ton with us is the difference between making a sale and not being able to make a sale.

So, therefore, this would affect us very seriously under the present conditions of the fertilizer industry in the South, where three large companies last year lost in excess of \$35,000,000, and we are forced to carry over between \$75,000,000 and \$88,000,000 of farmers' notes because they were unable to pay them, those notes being due a year ago last November, and this November's notes will probably bring that amount up to in excess of \$100,000,000. Hence, we can not for that industry assume additional burdens until the times are changed and where those conditions now existing in the South are more or less improved.

Senator HARRELD. Will you permit me to ask a question?

Mr. FLEMING. Yes, sir.

Senator HARRELD. How long will your last contract with the Mexican producers extend?

Mr. FLEMING. Our contract last time was made 3 years ago and expires October 22 next.

Senator HARRELD. Have you had that contract extended for the future?

Mr. FLEMING. We have not. They have declined. I am trying now to get an extended contract, and they have declined to quote beyond one year.

Senator HARRELD. Did you make that contract simply because there was no product of that sort that you could buy in the American market?

Mr. FLEMING. No, we made it because the American producer has not seen fit the last several years, so far as our concern goes, to even take the interest to quote us a price.

Senator HARRELD. Do you not know that the Mexican company did not sell American oil?

Mr. FLEMING. I do not think that is entirely correct, because our contract with the Gulf Refining Co. provides that if they are unable to deliver that oil from Mexico that they will deliver it from American wells; they also provide a higher grade of oil.

Senator HARRELD. Do you not know that the refiners who are fighting this tariff have for the last three years been giving as their reason for keeping up the price of gasoline that they could not find a market for fuel oil?

Mr. FLEMING. No; I do not. I am not in the oil business.

Senator HARRELD. You do not know that to be true?

Mr. FLEMING. I do not; I am not in the oil business.

Senator HARRELD. I know that is a fact; and you were not buying from a home industry but buying from Mexico while the American refineries could not find a market for fuel oil at any price.

Mr. FLEMING. Because the home industry could not pay the freight, much less deliver the oil, for the price we were buying at.

Senator HARRELD. Could not the refiners ship fuel oil from Houston and Galveston right across to Florida just as cheap as could the Mexican producers from Mexico, if in good faith they were hunting for a market?

Mr. FLEMING. The combined freight would not permit it.

Senator HARRELD. You mean the price at which they quoted you?

Mr. FLEMING. They did not even take the interest to quote us; they would not name us a price, because they said they could not pay the freight.

Senator HARRELD. Do you not think the refining interests of the country who had an abundance of fuel oil and did not see fit to quote you a price competing with Mexican prices was because they preferred to sell you Mexican oil so as to break the oil market in the United States to meet their own designs?

Mr. FLEMING. The last American producer I talked to was the Texas Oil, and after they looked into it thoroughly and saw what the freight rates were they said they could not compete and would not name a price. We had no recourse except to buy the Mexican oil.

Senator HARRELD. The reason I asked you was because I understood you to say that you could not buy because there was not a product in the American market.

Mr. FLEMING. I simply said that when we were forced by a tariff to change, at the prices named here to-day, from Mexican oil at \$1.50 to \$2, which they said was the price, and \$3 was the average rate, it would mean a difference of \$3.50 a barrel, and on the 3,000,000 tons which we mine down there would make a difference to us of \$115,000.

Senator HARRELD. I say to you now that if you can not buy as cheaply in the American market as in the Mexican market it is because the refinery interests will not provide it to you at the price they can afford to take.

Mr. FLEMING. I have no connection with the oil business and have no means of knowing their methods of doing business.

Senator HARRELD. Of course not, and nobody else has.

Senator McCUMBER. The stenographer will insert in the record at this point a little statement handed me on the matter of oils. It contains, first, farm consumption of gasoline, etc.; second, summarized objections to tariff on oil; third, letter to the President from W. N. Davis, president of the Mid-Continent Oil Association; and a typical editorial on oil tariff.

(The documents referred to are as follows:)

AMERICAN PETROLEUM INSTITUTE,
New York, N. Y., December 20, 1921.

Complying with your request for estimates of the consumption of petroleum products on farms, I submit the following figures, which are mere approximations based on the best available authorities:

Estimated consumption of petroleum products on farms.

	Number.	Average annual consumption per car.	Estimated consumption, 1920.
GASOLINE.			
Estimated number as of Dec. 31, 1920:			
Passenger cars.....	2,840,000	Gallons. 390	Gallons. 1,107,600,000
Motor trucks.....	160,000	1,000	160,000,000
Gasoline tractors.....	100,000	700	70,000,000
Total.....			1,337,600,000
LUBRICATING OIL.			
Estimated number as of Dec. 31, 1920:			
Passenger cars.....	2,840,000	17	48,280,000
Motor trucks.....	160,000	34	5,440,000
Tractors.....	300,000	100	30,000,000
Total.....			83,720,000
KEROSENE.			
Estimated number as of Dec. 31, 1920:			
Kerosene tractors.....	200,000	700	140,000,000

OTHER CONSUMPTION ON FARMS.

Gasoline.—I do not have any figures showing the number of stationary engines on farms or the estimated consumption of gasoline by these engines, but possibly the Department of Agriculture would have such figures.

Lubricating oil.—There would be a substantial consumption of lubricating oil by stationary engines and other farm machinery, quantity unknown.

Kerosene.—I do not have any estimates of the quantity of kerosene consumed on farms. Obviously there is a large consumption of kerosene in lamps and oil stoves in farming communities which, taking also into consideration tractor consumption, might amount to from half to two-thirds of the total domestic kerosene consumption, or 699,000,000 gallons to 932,000,000 gallons.

TOTAL DOMESTIC CONSUMPTION OF OTHER PRODUCTS.

For comparative purposes you will probably be interested in having the following figures, showing the total domestic consumption of gasoline, kerosene, and lubricating oil in 1920:

Gasoline.....	4,256,000,000
Kerosene.....	1,398,000,000
Lubricating oil.....	610,000,000

I am sorry that we are not able to give you more definite information, and trust the above will be of service.

Very truly, yours,

L. M. FANNING,
Director Publicity and Statistics.

PROPOSED TARIFF ON FUEL AND CRUDE OIL—MEMORANDUM.

1. A tariff on crude oil means increased price for fuel oil. Of the only crude imported, from 86 to 94 per cent is its fuel content.

2. The proposed tariff (25 cents per barrel) on fuel oil will increase its prices to American industry and ships by that amount at least, and add from 15 to 36 per cent to its price to steamship owners. The 35 cents per barrel proposed tariff on crude oil would increase fuel oil price by substantially that same amount.

3. The United States has spent \$3,000,000,000 on 140 steam cargo ships, all built to burn oil fuel as more economical than coal fuel. It was the supply of Mexican fuel oil in the control of American companies that determined the Emergency Fleet Corporation to build oil-burning ships.

4. These Shipping Board boats must be operated by the Government or sold to private owners. Heretofore the policy of the American Government has been to levy no import duty on oil or oil fuel. A tariff on crude and/or fuel oil will make the sale of the ships to private owners impossible or at best vastly more difficult. Twenty-five cents per barrel increase in cost would be equivalent to a sustained increase—a permanent handicap—of \$1 per ton the equivalent amount of coal fuel. Everything, short of an excessive lowering of seamen's wages, must be done to effect economical operation of the American mercantile marine. A tariff on oils would be a deliberate increase of such costs, handicapping Government operation and retarding the disposition of the steamships. Sixty-four per cent of all American tonnage is oil burning. It would be a death blow to these oil-burning American ships.

5. American oil fields can not possibly produce the fuel oil consumed to-day by American ships and industries. All fuel oil produced and imported into the United States is consumed here, and much more is needed. Consumption is increasing more rapidly than production.

6. Against whom is this proposed tariff directed? Whom would it "protect," if anybody? It is directed against the producers of oil in Mexico. To-day only American companies are producing oil in Mexico in large quantity. The former producing wells of the Dutch-Shell interests are "skimming" or gone, and the companies left with substantial production are either independent American companies or independent Mexican companies whose shareholders are all Americans.

If a tariff on oil should result in higher prices for petroleum products, it would benefit not alone American companies producing oil, but the Royal-Dutch subsidiaries in the United States, which produced over 3,000,000 barrels in the first nine months of 1921.

7. As a "protection" measure, it is a direct blow at American enterprises, and would operate in favor of foreign enterprises frankly engaged in an attempt to exhaust Ameri-

can oil measures to later reduce the American consumer—automobile owner, ship-owner, manufacturer, householder, and user of light, heat, or power—to dependency on oil produced abroad by the same foreigners, at such exorbitant prices as the Royal-Dutch and Anglo-Persian companies may see fit to charge.

8. In world competition all American industry has to meet the foreign advantages in competition, of cheap labor, cheaper raw materials, cheaper sea carriage, and depreciated currencies. It has only one material advantage over its now privileged competitors—cheap fuel. Our coal fuel is cheap near the mines; and our industries on the coast, which are the principal American industries engaged in world competition, have the advantage of cheap Mexican oil fuel, which the wells of the United States can not supply.

To place a tariff against this cheap fuel from Mexico would surely divert that fuel to our European competitors, advantaging them at our expense with the only advantage we now enjoy in world competition.

9. The American merchant marine is essentially oil burning. Its only advantage in world competition—and that advantage is decreased by every British or French or Japanese boat that converts to oil burning—is that it burns oil instead of coal. First cost, supplies, and seamen's wages are all higher to the American shipowner. To impose a tariff on fuel oil, that will help no American producer, would end the last hope of the American merchant marine to compete with world shipping.

10. The tariff (35 cents for crude and 25 cents for fuel oil) proposed is prohibitive. In June of 1920 the Mexican authorities, led by proponents of an American tariff to believe that the American Congress would impose an import duty on oil, increased the Mexican export duty by 20 cents per barrel for crude and 10 cents per barrel for fuel oil. As a result American producing and exporting companies were forced to stop exports in large measure, as shown by the United States import statistics for July and August. The mid-continent proponents of a high duty on oil frankly stated their object to be to end import of foreign oils by prohibitive tariff. Their work with the Mexican officials proved that even a much lower duty would accomplish their object.

It was for the above reasons, coupled with its resultant praiseworthy policy of inducing American capital, labor, and brains to invest in foreign fields for a future oil supply for the United States, that the administration in July requested the killing of the tariff on crude and fuel oil put in the House bill by the Ways and Means Committee. The reasons for keeping oils on the free list are more potent now than then, for the following reasons:

(a) The then low prices of American crude have increased by natural economic workings over 100 per cent, and such increase in prices as was expected from a tariff is no longer necessary to the American producer.

(b) The proponents of a tariff asked for an import duty of 35 cents per barrel on crude oil. No tariff was imposed. Prices have increased in the mid-continent fields from \$1 to \$2.25 per barrel. The present price is 50 cents per barrel higher than the excessively high figure given by the proponents of a tariff as "cost of production" (\$1.75 per barrel), but the Federal Trade Commission figures 42 cents for lifting charge).

(c) The price of all oils has advanced. More oil of all grades is needed in the United States. Consumption has increased. Domestic production has decreased. Due to increased consumption in October the stocks of oil (domestic and imported) in the United States fell from enough to supply American needs for 123 days to only enough to supply needs for 117 days. The absolute essentiality of American-controlled production in foreign fields is more outstanding than ever.

Therefore, the branches of the administration which have the responsibility for the future of American welfare are more than ever concerned in American participation in foreign oil fields; and for the Senate of the United States to impose the proposed prohibitive tariff on crude and fuel oil coming from such foreign fields, produced by venturesome Americans, would be the greatest setback to the administration's policy of encouragement of such necessary investment that could be devised by the most bitter of our enemies.

WHY SACRIFICE AMERICA'S OIL FIELDS?

JULY 15, 1921.

The following letter was sent to President Harding last evening by William N. Davis, president of the Mid-Continent Oil & Gas Association, the largest organization of independent oil producers in the United States. He speaks for some 16,000 producing concerns and their millions of investors and billions of dollars of invested capital. The producers of two-thirds of the current domestic supply of crude oil respectfully invite your attention to the facts herein contained in Mr. Davis's letter.

MID-CONTINENT OIL AND GAS ASSOCIATION,
July 14, 1921.

THE PRESIDENT,

The White House, Washington, D. C.

MY DEAR MR. PRESIDENT: Our recent interviews with reference to an import duty on petroleum and your letter on the same subject to Chairman Fordney of the Ways and Means Committee convince me that your attitude in the matter is based upon a misconception of the facts.

You have been most considerate in the amount of time you have given us, and, as president of the Mid-Continent Oil and Gas Association, I wish to express the appreciation of its members; but such a subject can not be thoroughly presented or considered in the brief periods you were able to allot to such interviews.

I, therefore, take the liberty of laying certain facts before you in writing.

Communications from all producing districts of the United States justify me in saying that I speak for the independent oil producers and refiners of the entire country.

The policy of encouraging the investment of American capital in the development of petroleum in foreign countries is, perhaps, wise; but I trust I may say without offense that the estimates of the world's petroleum reserves, which shows but one-sixth of the total within the United States and Alaska, are being taken far too seriously and have unduly exaggerated the importance of American ownership of foreign oil production.

These estimates, except as they apply to the immediate confines of developed producing lands, are valueless. One may guess, but there is no worthy basis for an opinion, much less an estimate, of the petroleum reserves under undrilled lands. Predictions of exhaustion of this country's supply have been made for 30 years or more, but year after year new fields have been discovered until to-day we have the largest production in our history.

Practical oil men have for years smiled good naturedly at these alleged scientific estimates but, when they become the basis for a governmental policy which holds that the encouragement of our great oil corporations in the acquisition of foreign oil properties must be continued regardless of all else; that this country must remain an open market to absorb all of the oil which these great corporations may dump upon it, regardless of the destruction of the oil-producing industry at home, then these scientific estimates cease to be amusing.

I respectfully submit that a policy based upon so unstable a foundation should not be permitted to crush the many thousands of individuals and small corporations producing oil at home, and to throw out of employment hundreds of thousands of men, to the advantage of ten or a dozen corporations of great capital whose operations in Mexico have created the utter demoralization in this country to their own great ultimate profit.

It is claimed that we should conserve our own petroleum reserves for use in time of war or for the development of our merchant marine; but what will be needed in time of war and what is needed for our merchant marine is fuel oil in which Mexican petroleum is rich and our own domestic high-grade oil is deficient. To use our own oil to the greatest advantage it should be completely refined into gasoline and lubricants. Mexican petroleum contains about 10 per cent gasoline and practically all the residue is fuel.

American capital now owns and controls 65 per cent of the known Mexican petroleum, and I suggest that this would be the logical point for the practice of conservation in order to have at hand in the hour of our need the necessary supply of fuel oil for our Navy and for the development of our merchant marine.

The total number of producing oil wells in the United States is approximately 260,000. The average daily production per well is less than 5 barrels. Of this total number, 150,000 wells have an average daily production of less than half a barrel each. The average daily production per well in Mexico is 2,500 barrels. These figures clearly indicate the enormous disparity in cost of production in the two countries.

The United States is now producing sufficient oil to meet domestic and export requirements. The veritable flood of this cheap foreign oil from Mexico, averaging 12,000,000 barrels a month, which is being imported duty free by these great corporations, has created a surplus of approximately 25 per cent over the demand, and has broken the market price of domestic petroleum since January more than 70 per cent, to a point far below the cost of production, and must shortly cause the abandonment of these old small wells. This will be a calamity from which our country can never recover; for this vast amount of small wells constitutes the settled, permanent petroleum and gasoline supply of the United States, and once abandoned they can never be reclaimed.

It is, of course, alleged by the corporations operating in Mexico that the import duty will greatly increase costs to the consumer. The period of "below-cost" prices

must in any event be brief from the consumer's point of view; economic necessity makes that inevitable; but it may well last long enough to accomplish the destruction or absorption of the independent domestic producers and refiners.

The Standard Oil Co., with its great financial resources, is storing its own domestic production during this period of demoralization which it has largely created, but the independent oil men, who now own more than two-thirds of the domestic production, in their financial distress must either abandon or sell their producing properties at a fraction of their real worth.

Thus will control of the supply of crude oil again become centralized; the independent refineries which have largely increased with the number of independent producers will disappear, and the thing which always happens under such circumstances will happen again. Competition having been removed, Mexican production will doubtless decline, a "natural economic reaction" will set in, and consumers may look forward with confidence to a prolonged period of excessively high prices.

The independent oil producers of the United States do not ask for this import duty as a permanent feature of the tariff policy of this country but they do ask that in the hour of their distress this Republican Congress extend to their industry the same protection against the dumping of immense quantities of cheap foreign goods that it may accord to other lines of production, industry, and business. They ask that an import duty adequate to equalize the difference in the cost of production at home and abroad be included in the pending tariff legislation. The rates in the bill as reported by the Ways and Means Committee are not sufficient. They will neither exercise a deterrent effect upon the intensive campaign of drilling in Mexico nor afford any real protection to the producing industry at home. They will certainly not prove sufficient to discourage the continued exploitation by American capital of the petroleum resources of foreign countries.

I am, Mr. President, respectfully, yours,

WILLIAM N. DAVIS,
President, Mid-Continent Oil and Gas Association.

[From New York Times, Dec. 15, 1921.]

OKLAHOMA BUSINESS HUMS—RAPID RECOVERY IS ATTRIBUTED TO INCREASE IN OIL PRICES.

The fact that the price of oil has doubled in the past six weeks has given a tremendous stimulus to business in Oklahoma, according to Thomas E. Braniff, president of a large loan company in Oklahoma City. He says that Oklahoma was slow to feel the slump, but that it finally came and would have been serious had not the price of oil advanced so suddenly.

"We had an impression that our part of the country would not be affected by the business depression which seemed to be pretty general, as we had so much in our agriculture, our oil, lead, zinc, and other interests," said Mr. Braniff, who is at the Hotel Astor, "but we found we were mistaken and that we were about as hard hit as many other sections.

"It is a fact, however, that Oklahoma enjoys factors of safety in a financial war that are enjoyed by few other States. In 1920 the products of our farms—grain, cotton, and live stock—were \$500,000,000, and even in years of poor crop conditions we have our mineral products to fall back on.

"We are fortunately situated in that we are the dividing line between the North and South. We raise the wheat, corn, and oats of the North as well as the cotton of the South, and as a result we never have a total failure of crops, such as occurs in the South. We raised 40,000,000 bushels of wheat this year, the largest in the history of the State, while cotton is about one-half normal. Due to the low price of agricultural products, we are just marking time in a business way in the agricultural section while the oil section is booming. Oklahoma City's school enrollment was 2,300 greater this year than last, and we are taking care of the housing situation by building more dwellings and apartments than ever before in the history of our growth."

BRIEF OF C. H. MacDOWELL, CHICAGO, ILL., REPRESENTING THE NATIONAL FERTILIZER ASSOCIATION.

The National Fertilizer Association regards with apprehension the announced purpose of representatives of certain oil-producing companies to urge a tariff duty on imports of crude oil. We had believed that question was definitely settled some months ago, when the House of Representatives, in response to the overwhelming sentiment of the country, as affirmed in a letter from the President, rejected the recom-

mendation of the Ways and Means Committee for a duty and voted to retain oil on the free list. To learn now that efforts for a duty will be renewed and to hear that such efforts are receiving some support in the Finance Committee is very disquieting.

We believe industry in general is in no position to take on unnecessary additional taxation, and certainly to the fertilizer industry, struggling out of a period of unparalleled depression, the burden of a tariff on oil would be disturbing and discouraging.

The losses of the past season, due to a decline of about 50 per cent in the use of fertilizer, were not confined to manufacturers. There followed reduced yield of field crops, causing tremendous losses to farmers and business generally. Mr. C. R. Capps, vice president of the Seaboard Air Line Railway, testified at the hearing before the Interstate Commerce Commission on December 16 that the loss of fertilizer tonnage to the railroads of the South this year amounted to more than 2,000,000 tons. To that primary loss should be added the potential crop tonnage which such a quantity of fertilizer develops.

He further said that the prosperity of those carriers is intimately related to the agricultural yield of that section. He might safely have said, is directly dependent upon it. Therefore, the fertilizer manufacturer in his studies and labors to reduce costs so as to bring about a greater distribution of his product is consulting not only his own interests but is serving the entire community as well.

Much of his effort in that direction, however, would be nullified by a tariff, for many of the large plants on the Atlantic seaboard depend upon Mexican fuel oil for power. Such a tariff would affect the fertilizer industry in additional degree by adding to the mining cost of phosphate rock, which is the principal ingredient of commercial fertilizers. Phosphate rock comes mainly from Florida, and all of the mines in that State, about a score in number, use Mexican crude oil for fuel. Owing to depression in the fertilizer industry it is not possible to give the exact consumption, but one of the phosphate companies reports that in normal times, when running at full capacity, it consumes about 35,000 barrels monthly, or about one and one-tenth barrels of fuel oil for each ton of phosphate rock produced. An oil tariff will, of course, add to the price which the fertilizer manufacturer must pay for phosphate rock, and that added cost will be reflected in the price of fertilizer to the consumer.

It is important to note that all the power plants of the phosphate mines were constructed for the use of fuel oil, and the equipment can not be changed to the use of other fuel without tremendous expense. At the time the plants were installed contracts were offered for oil at 75 cents a barrel, and that favorable price induced the companies to equip their plants as oil-burners. Since then, however, the price of oil has advanced 60 per cent and the industry now is in no shape to take on an increase in fuel cost, which would be the case if a tariff were imposed.

The only effect of a tariff, so far as the Florida market is concerned would be to increase the cost of Mexican oil to phosphate rock consumers without any corresponding benefit to domestic oil producers.

The movement for a duty on crude oil is inspired by the producers of the mid-continent fields, but even a casual examination of conditions on the eastern seaboard will show that the western producers can not hope to acquire that market. The phosphate mines, for example, are located less than 50 miles from Tampa, Fla., permitting of cheap transportation of oil from Mexico, but lying beyond the range of the mid-continent product because of prohibitive freight rates.

Another factor is that the grade imported from Mexico known as "heavy crude" is naturally adapted to fuel purposes, while oil from the mid-continent field, being lighter and of superior quality, is less serviceable as fuel and is much more valuable when refined for its several products. Consideration of these physical conditions makes the plea for a duty on crude oil seem unreasonable and unwarranted.

Introduction of fuel oil in industry greatly stimulated the business of Mexican export oil, to the advantage of both producers and consumers, but this business can never be acquired by the mid-continent producers.

The present demand for a duty on crude oil is caused by the general industrial depression resulting in decreased consumption of domestic oil, but it is only a comparatively few months ago that grave fears were voiced concerning the future of our oil supply, domestic and foreign. It was pointed out that the demand for oil was greater than the visible sources of supply and the country was warned of the approach of the time when diminishing yield would create a national problem.

The period of depression is passing and consumption of oil is increasing, a fact that is emphasized to consumers by several recent price advances. Unquestionably the oil industry very shortly will regain the position it occupied not more than a year ago, where demand exceeded supply and where there was no point or purpose in having a tariff on imports.

In conclusion we submit that a tariff on crude oil would greatly increase the cost of fertilizer, but would fail to bring any corresponding benefits to domestic oil producers. We therefore urge your honorable committee to retain crude oil on the free list and thereby lend encouragement to industry struggling to rehabilitate itself.

STATEMENT OF M. J. MURPHY, REPRESENTING THE ISLAND OIL & TRANSPORT CORPORATION, NEW YORK CITY.

Mr. MURPHY. Mr. Chairman and gentlemen of the committee, we have agreed to reduce our remarks not so much in number as in time, and not to trespass upon your time unduly. There are so many different angles from which this opposition will come that there are a number of men who have come here from a long distance and want to be heard if only for a few minutes.

Speaking first, I represent the only producing oil company that will be heard here, and we have considered your feelings. All the oil companies producing in Mexico are not asking for a hearing here, I represent the Island Oil & Transport Corporation. We wrote a letter to the chairman of your committee, on September 20, which perhaps boils down as much as it is possible to do so our position. I will not attempt to read this letter to you, except to give you the high spots, and then you will be at liberty to ask me any questions.

Senator CURTIS. Will you have the letter printed in connection with your remarks, so that we will have them together?

Mr. MURPHY. Yes; the letter is on file here. We start in in this letter by saying that the Ways and Means Committee of the House of Representatives had rejected this by a certain vote of 196 to 86, and then we say that the proponents of this tariff base their claim for protection upon two principal grounds:

First, that the oil industry in the United States is suffering from unfair and destructive competition on the part of "foreigners." They emphasize this term "foreigners," and classify us as foreigners.

Second, that the price of crude petroleum and its products has fallen so low that it is no longer profitable to produce and refine oil in the United States.

They ask 100,000,000 people in this country, who are interested in fair prices, to pay more for their oil products in order that they, the producers, may get more money for their raw material.

If the importers of oil from Mexico are not "foreigners," but United States companies owned by United States citizens, and if the present prices of crude petroleum and petroleum products in the United States are higher than they were before the war, then the contention of the Mid-Continent Producers' Association falls to the ground of its own weight.

And in support of that general contention we give you certain further details. Our own company has 11,200 stockholders. It is purely an American company. So far as we are able to analyze our stock list, there is not a Mexican in it, and there is not a foreigner in it; and we just a little bit resent being classified as foreigners as distinct from citizens of the United States.

Senator SMOOT. Where are your wells located?

Mr. MURPHY. In Palo Blanco, Mexico. Our entire production is in Mexico.

I have touched in this letter on what we term the "Standard Oil bugaboo." There has been a great deal of talk that the Standard Oil

Co. was opposing this tariff for some reason. The Standard Oil Co. has perhaps not more than 5 per cent of its investment in Mexico. The balance of it is in the United States. If there is any virtue in this tariff for the American oil men, the Standard ought to benefit by it, whereas a company like our own that depends upon production in Mexico, solely, is very much hurt and very much affected. We are not here asking you gentlemen, however, to look after our selfish interests.

Senator McCUMBER. Of course the Standard Oil Co. is not a producer of oil, but is simply a refiner in the United States, is it not? It does not produce oil in the United States?

Mr. MURPHY. It is my understanding that they do, through their subsidiaries in the United States. They are now producing a good deal of oil. They have produced a good deal of oil in Mexico. It has been stated, and stated very freely, that they produced all the oil that comes out of Mexico. I have here the figures of the Department of Commerce, which I should like to call your attention to. They show four companies with which the Standard might be classified. The total shipment of petroleum from Mexico in October was 16,052,589. The total shipments to the United States in October were 12,986,000 barrels. The first figure that I gave was the number of barrels from Mexico, and the 12,000,000 was what came to the United States. Eighty-one per cent of the total came to the United States.

These shipments were made by 21 companies, of which one is British, one is Dutch, and the rest are American.

Of the total shipped by the Standard Oil Co. subsidiaries and by companies which then or ever had any connection with the former Standard Oil group there are the following:

The Cortez Oil Co., the New England Fuel Oil Co., the Penn-Mex Fuel Co., and the Trans-Continental Petroleum Co., which are classified as Standard companies; and they make it a total of 3,055,000 barrels, or 18.75 per cent of all the oil that was shipped.

Here is the Department of Commerce list of companies and the amount shipped by each [submitting statement to the committee].

Does the United States oil industry need protection?

It is asserted by the proponents of the oil tariff that the present selling price of petroleum is less than the cost of production. If that be true, then the oil business of the United States was conducted at a loss from 1906 to 1917. The following table of figures, corroborated by the Petroleum Institute, shows that the average gross selling price of petroleum from 1906 to 1916 ranged from 60 cents low to 95 cents high. This included the highest grade of Pennsylvania crude.

The oil companies prospered during that period, which is the best answer to the Mid-Continent Producers Association's unsupported statement that the cost of production is \$1.75 per barrel in the mid-continent fields and \$3.25 per barrel in the Pennsylvania fields.

Senator McCUMBER. Of course, you admit that the cost of producing in those years was very much less than it is now?

Mr. MURPHY. I presume it was somewhat less, but still the cost of production has not varied with the fluctuation in price.

Senator CURTIS. In our State in 1906 and 1907 it did not cost one-third as much to produce oil as it does to-day.

Mr. MURPHY. The cost of producing oil in the United States is nothing as compared to the cost of producing it in Mexico. You can

drill a well in the United States through the same class of strata for less than half what it would cost you to drill a similar well in Mexico, because in Mexico you have to go into the jungle and build your roads and stand the expense of everything connected with it. A well that you could drill in the United States for \$50,000 would cost you \$100,000 in Mexico.

As to the cost of production in the mid-continent and Pennsylvania fields, let us stop on that point long enough to say that if \$1.75 is cost and \$2.25 is the present market price, there is a profit even under these changed conditions of 50 cents a barrel.

Senator CURTIS. The gentleman has agreed to limit his time, and I do not want to interrupt him—

Mr. MURPHY. My time is up?

Senator CURTIS. No. I want you to have all the time you can; but that statement is absolutely untrue.

Mr. MURPHY. Which is untrue?

Senator CURTIS. That the people have made money. I know something about the oil business. I will tell you that the oil men have lost money.

Mr. MURPHY. Individual oil men have lost money, and they have lost money in Mexico very heavily, and there is a tremendous United States investment in Mexico to-day that is down there to stay. There is no question about that.

Senator CURTIS. But I am talking about your statement that they have made money since 1906. I think they have not.

Mr. MURPHY. You did not get my statement, Senator. I say that if they sold their oil at these prices from 1906 to 1916—

Senator CURTIS. You know that the prices have fluctuated. I know from my own personal knowledge that oil went down to 39 cents at one time.

Mr. MURPHY. I have official figures here—

Senator CURTIS. I do not care anything about the official figures. I know from my own personal knowledge that oil was offered for sale at 39 cents, and had no purchasers at that price.

Mr. MURPHY. I supposed that you were here in a judicial capacity.

Senator CURTIS. I can not let a statement like that go undisputed, because I know better myself.

Mr. MURPHY. I am not making a statement here, gentlemen, of my own, not one. My statements are supported by Government figures. I want every man on this committee, if he will, to read this, which is the latest mid-continent chart. It tells a story that is very interesting [submitting to the committee a chart]. Here is a statement of the Department of the Interior, United States Geological Survey, not to be published before Wednesday afternoon, December 28. That was yesterday, was it not? I would like to call the particular attention of this committee to this statement, which tells a story that controverts a lot of loose statements that I have heard made here to-day. It shows in a very graphic way what our production is, what our production plus importation is, and what our export is, and gives you the entire story.

It was stated here this morning that this was proposed as a conservation measure. I am not going to take up your time on that, because I think that the position of the Government on its con-

ervation policy is pretty well known, and I did not suppose that the tariff on oil was a part of that conservation policy. It was advocated in the interest of labor; and I want to call your attention, gentlemen, to the fact that to shut out the raw material, to lessen the refining industry of this country and its effect upon our foreign commerce and upon our trade balance is something that I need not discuss with you.

There was another statement made here to-day, and I wish you would check this not through me but through your own authorities—the Government's own expert. The statement has been made and made very freely that the wells that are not pumped for a certain length of time are lost forever; that if you shut down a well for a certain length of time therefore that well has gone out of existence. You can very easily determine the truth of that statement.

It was stated here this morning that the price of Mexican oil in England was \$4. A purchaser of oil in Mexico has the choice of routing his oil to England or to South America or to China or where he will. If he can get \$4 for it in England, why should he send it to the United States and pay an import tariff? It is so obvious that I just mention it in passing.

They also state that the United States and Mexico furnish 90 per cent of all the oil consumed in the world. The geologists, the scientists, tell us that we have about one-sixth of the total world's supply, and as a matter of national policy we are pumping out of that one-sixth and what we get from Mexico and supplying to the rest of the world. While they conserve theirs we are supplying 90 per cent of all that everybody uses on this earth, according to their own statement.

I do want to keep faith with you, gentlemen, and not go beyond my time. I leave these papers with you.

Just let me read in conclusion from this letter, because it sort of sums up our policy.

Mr. Chairman, am I beyond my time? I guess I am.

Senator McCUMBER. A little, but you may proceed.

Mr. MURPHY (reading):

We do not undertake to exploit it as a virtue, but we are entitled to mention it as a significant coincidence; Our opposition to the proposed tariff on petroleum is coincident with President Harding's petroleum policy conceived not in a partisan spirit but in the interest of the general welfare and national security.

Our opposition is coincident with the enlightened and far-sighted policy of Secretary Hughes—with his efforts to secure for American citizens the right to exploit foreign oil fields in behalf of America's future.

Our opposition is coincident with the best interests of all American producers, either of raw materials or of finished products. It is coincident with the best interests of the farmers, who now own 400,000 tractors and 2,500,000 stationary engines. It is coincident with the best interests of all manufacturers, regardless of whether they use oil or coal in the production of power. An increase in the price of oil will react on the price of coal.

Our opposition is coincident with the best interests of all the consumers in the United States. It is coincident with the best interests of the 46,000,000 consumers of manufactured gas. The proposed tariff would add 5 cents per 1,000 feet to all gas consumed in this country. Our opposition is coincident with the best interests of more than 8,000,000 owners of automobiles and motor trucks. Our opposition is coincident with the best interests of all American shippers or payers of freight, whether by land or sea.

It is coincident with the best interests of every railroad in the United States, as well those that burn coal as those that burn oil. It is coincident with the best interests of our merchant marine. It is essential to the existence of our merchant marine, since, without the use of oil, competition with oil-burning vessels will be an economic impossibility.

We need hardly add that our opposition to the proposed tariff on oil is coincident with the best interests of the American Navy. It lays a burden not only on the sacred right but even on the capacity for self-defense. It lays tribute upon one of the paramount objects of Federal Government as recited in the preamble to the Constitution.

(The letters and other papers referred to are as follows:)

THE RALEIGH,
Washington, D. C., December 30, 1921.

HON. BOIES PENROSE,
Chairman Senate Finance Committee,
Washington, D. C.

SIR: In the desire of the opponents of a proposed tariff on oil to meet the request of the acting chairman for consolidation of witnesses and the briefest possible presentation there were omitted from the intended arguments some points which are of vital importance. These points are:

First. The proponents of a tax ask that "a tariff be imposed sufficient to equalize cost of production abroad and cost in the United States."

The only cost that counts to the producer, namely, the cost of getting the oil to market, is equalized, or even more burdensome to Americans producing abroad than to Americans producing oil in the United States.

The American producer, especially in the mid-continent fields, sells his oil at the mouth of his well to transportation and handling companies. On the other hand, the American producing oil in Mexico has practically no local market, and before realizing on his product must land his oil at some American port. This entails expenses of pipe-line transportation in Mexico, plus payment of production and export taxes in Mexico, plus payment of bar dues, plus cost of loading on tank steamers, plus tank-steamer transportation from Mexico to American ports or, corresponding charter hire, plus unloading charges in the United States, a total of unavoidable expenses not borne by the producer in the United States and considerably in excess of the highest tariff proposed.

Second. The possibilities of a tariff on crude and fuel oil as a revenue producer.

A tariff on oil would differ from any other proposed tariff, in that the commodity is produced and imported by American and not by foreign companies.

Practically all of the petroleum imported into the United States from Mexico is produced by American companies subject to the payment of American business taxes, in amounts depending upon the profits of the enterprise. Such part of any tariff imposed as would be borne by the American corporations will simply reduce by that amount the basis of the business taxes payable by these companies. Furthermore, the imposition of a tariff of 35 cents per barrel on crude and 25 cents per barrel on fuel oil would have the sure results.

(a) To encourage the building of refineries in foreign countries, where the greater part of the crude at present shipped to the United States will be elaborated and shipped directly to foreign customers in free foreign markets, and to force American companies to cease the importation of crude into the United States for refining and export. The importation of crude oil would be reduced to a minimum.

The following statistics indicate the present large volume of business in the United States in import of crude oil and export of refined oils during the year 1920:

	Barrels.
Exported:	
Crude oil.....	8,045,000
Refined oils.....	65,735,000
Total export.....	73,780,000
Value.....	\$549,316,874
Imported:	
Crude oil.....	106,175,000
Refined oils.....	2,618,000
Total import.....	108,793,000
Value.....	\$65,902,780

(b) To divert imports of fuel oil from present American markets to the free markets of the world. The fuel residuum is a commodity of so low a value that a tax of 25 cents per barrel upon it would make its sale elsewhere more profitable and in most cases necessary. The total import of fuel oil would decrease to a point at which such revenue would be surprisingly small.

Therefore the revenue obtainable from such proposed import tariff is negligible.

We request that under the circumstances you see fit to order the foregoing letter introduced in the record of hearings. I have the honor to be,
Yours, most sincerely,

M. J. MURPHY,
Representing Island Oil & Transport Co.

SEPTEMBER 20, 1921.

Hon. BOIES PENROSE,
Chairman Finance Committee, United States Senate.

DEAR SIR: The Ways and Means Committee of the House of Representatives included in the Fordney tariff bill a schedule taxing crude oil 35 cents per barrel and fuel oil 25 cents per barrel.

By a vote of 196 to 86 in the House, petroleum and fuel oil were restored to the free list. There is now before your committee an amendment to the House bill which, if approved, will put the original oil schedule in the tariff bill.

The proponents of this tariff base their claim for protection upon two principal grounds—

First. That the oil industry in the United States is suffering from unfair and destructive competition on the part of "foreigners."

Second. That the price of crude petroleum and its products have fallen so low that it is no longer profitable to produce and refine oil in the United States.

They ask 100,000,000 people in this country, who are interested in fair prices, to pay more for their oil products in order that they, the producers, may get more money for their raw material.

If the importers of oil from Mexico are not "foreigners," but United States companies, owned by United States citizens, and if the present prices of crude petroleum and petroleum products in the United States are higher than they were before the war, then the contention of the Mid-Continent Producers' Association falls to the ground of its own weight.

The Island Oil & Transport Corporation has, since 1917, been engaged in the production and exportation from Mexico of crude oil having a gravity of 19°-21° B. All of our production is in Mexico. The company controls, through stock ownership, the Island Refining Corporation, with a refining plant at Sarpy, La., and one at Palo Blanco, Mexico; also the Massachusetts Oil Refining Co., with a refinery at East Braintree, Mass. These refining plants were built to manufacture Mexican crude oil and are not adapted to fabricating the lighter crude produced in the United States.

The company's whole business and financial structure is built upon Mexican production. At present market prices we could not produce and ship petroleum to the United States and pay the proposed tariff without losing money. We therefore would face the alternative of shutting down our business or finding a market for our raw material outside of the United States.

Competition by "foreigners."—The point has been stressed that the mid-continent producers are entitled to protection because they are American citizens and large taxpayers in this country, while the companies importing oil from Mexico are "foreigners" and entitled to no such consideration.

The Island Oil & Transport Corporation and its refining subsidiaries are, so far as we can determine, 100 per cent owned by American citizens. None of the stocks or bonds are owned by Mexicans. The securities are widely distributed and in the hands of many small investors. Stock of the parent company is listed on the New York and Boston Stock Exchanges, and our books show that there are about 10,000 stockholders of record. These people invested their money in good faith and are, we submit, entitled to as much consideration as are the owners of midcontinent oil properties.

We are asking for no special consideration or favors at your hands, but wish to point out to you that the proposed tariff would operate to the advantage of one set of American-owned companies and to the great disadvantage of another set of American-owned companies.

Standard Oil bugaboo.—In the propaganda carried on so vigorously by the advocates of the petroleum import tariff, great emphasis has been placed on the advantage that would accrue to the Standard Oil Co. to the detriment of all United States producers. For example, it was stated on the floor of Congress that all of the oil imported to the United States from Mexico in 1920, except that purchased by the Shipping Board, was imported by the Standard Oil Co. These statements are made with a total disregard for facts and statistics.

What are the facts.—By far the greater part of the Standard Oil Co.'s investment is in the United States and would greatly benefit by the proposed tariff while the small companies such as ours would suffer great loss and inconvenience.

According to the Bureau of Foreign and Domestic Commerce the imports of crude oil from Mexico for the year 1920 was 106,097,115 barrels, of which the Transcontinental (Standard Oil Co. subsidiary) shipped less than 16 per cent. The balance (84 per cent) was imported by 23 independent American companies.

This misstatement of facts does a serious, if not an intentional, injustice to our company and to all other independent companies that have ventured their capital in the Republic of Mexico.

The capital invested in these enterprises is American. The men by whom they are conducted are Americans. The vast majority of the important employees on the ground in Mexico are Americans.

The pipe lines by which these products are being and will be transported have been and will be produced in America by American plants and through the energy of American labor.

The storage tanks, houses, pumps, and the colossal quantity of supplies of all sorts necessary for the mechanical operation of these fields must come from American factories and are produced by American labor.

The food and necessaries of life with which the thousands of employees are supplied come from American farms and American dealers.

The enormous fleets of tank ships, through the operation of which alone this petroleum is brought into the United States were, with very few exceptions, and will be in the future, produced by American shipyards and American workmen.

Money lost in the Mexican oil venture.—An attempt has been made, through propaganda, to create the impression that the Mexican oil business has been and is especially profitable. The contrary is true in the case of many American companies.

Vast amounts of money were expended in Mexico when it was regarded a patriotic duty to augment the oil supply of the United States. Our consumption was far in excess of our home production during and after the war period. Many of the oil properties are for sale to-day for less than they cost during the war.

The great capital ships of the American Navy are oil burners as are the submarines and the destroyers and many of the auxiliary ships. Mexican oil helped to win the World War for humanity and if a new war threatened it would be absolutely vital that the Mexican supply be available to the American Navy. To shut out the Mexican product is to divert it to a possible enemy and thus arm him for our own destruction.

Does the United States oil industry need protection?—It is asserted by the proponents of the oil tariff that the present selling price of petroleum is less than the cost of production. If that be true, then the oil business of the United States was conducted at a loss from 1906 to 1917. The following table of figures, corroborated by the Petroleum Institute, shows that the average gross selling price of petroleum from 1906 to 1916 ranged from 60 cents low to 95 cents high. This included the highest grade of Pennsylvania crude.

The oil companies prospered during that period, which is the best answer to the Mid-Continent Producers' Association's unsupported statement that the cost of production is \$1.75 per barrel in the mid-continent fields and \$3.25 per barrel in the Pennsylvania fields.

The following are the official figures:

Year.	Production.	Value.	Average gross selling price per barrel.
	<i>Barrels.</i>		
1920.....	443,401,000	\$1,360,000,000	\$3.06
1919.....	377,719,000	773,000,000	2.05
1918.....	355,928,000	773,944,000	1.97
1917.....	335,316,000	622,035,000	1.55
1916.....	300,707,000	320,900,000	1.10
1915.....	281,104,000	179,496,000	.63
1914.....	265,703,000	214,125,000	.80
1913.....	248,446,000	237,121,000	.95
1912.....	222,935,000	164,215,000	.73
1911.....	220,449,000	134,045,000	.60
1910.....	209,557,000	127,900,000	.61
1909.....	183,171,000	128,328,000	.70
1908.....	178,527,000	129,079,000	.72
1907.....	166,095,000	120,107,000	.72
1906.....	126,494,000	92,445,000	.73

The cost of gasoline and other petroleum products have not fallen in proportion to the readjustment of prices in farm products and other necessities of life. The oil-

producing business in the United States has been and still is a profitable enterprise, and American consumers should not be further burdened for the protection of that industry.

Proposed tariff not popular.—We do not undertake to exploit it as a virtue, but we are entitled to mention it as a significant coincidence: Our opposition to the proposed tariff on petroleum is coincident with President Harding's petroleum policy, conceived not in a partisan spirit but in the interest of the general welfare and national security.

Our opposition is coincident with the enlightened and far-sighted policy of Secretary Hughes, with his efforts to secure for American citizens the right to exploit foreign oil fields in behalf of America's future.

Our opposition is coincident with the best interests of all American producers either of raw materials or of finished products. It is coincident with the best interests of the farmers, who now own 400,000 tractors and 2,500,000 stationary engines. It is coincident with the best interests of all manufacturers, regardless of whether they use oil or coal in the production of power. An increase in the price of oil will react on the price of coal.

Our opposition is coincident with the best interests of all the consumers in the United States. It is coincident with the best interests of the 46,000,000 consumers of manufactured gas. The proposed tariff would add 5 cents per thousand feet to all gas consumed in this country. Our opposition is coincident with the best interests of more than 8,000,000 owners of automobiles and motor trucks. Our opposition is coincident with the best interests of all American shippers or payers of freight, whether by land or sea.

It is coincident with the best interests of every railroad in the United States, as well those that burn coal as those that burn oil. It is coincident with the best interests of our merchant marine. It is essential to the existence of our merchant marine, since without the use of oil competition with oil-burning vessels will be an economic impossibility.

We need hardly add that our opposition to the proposed tariff on oil is coincident with the best interests of the American Navy. It lays a burden not only on the sacred right but even on the capacity for self-defense. It lays tribute upon one of the paramount objects of Federal Government as recited in the preamble to the Constitution.

Very truly, yours,

ISLAND OIL & TRANSPORT CORPORATION.

BRIEF OF M. J. MURPHY, REPRESENTING THE INLAND OIL & TRANSPORT CORPORATION, NEW YORK CITY.

The last bulletin of the Geological Survey (annexed) shows in graph on the first page that at present rate of production and consumption the United States is consuming nearly 300,000 barrels of petroleum per day more than it is producing.

	Barrels daily.
Consumption.....	1, 550, 367
Production.....	1, 259, 333
Total shortage (23 per cent of production).....	291, 034

The shortage has existed since 1917, and has been steadily increasing since May, 1921. It is made up, and must be made up, by oil produced by Americans in foreign fields.

America does not and can not produce sufficient oil to fill her own needs. Americans must be encouraged to produce oil abroad for American use. The imposition of a tariff on oil sold by them in home markets would end the encouragement now extended by the administration.

American imports of oil, 1921.

[From Geological Survey Bulletin No. 11, November, 1921.]

	Barrels.		Barrels.
January.....	13, 193, 000	August.....	3, 352, 000
February.....	11, 384, 000	September.....	9, 139, 000
March.....	12, 303, 000	October.....	11, 576, 000
April.....	10, 044, 000	November.....	12, 994, 000
May.....	9, 147, 000		
June.....	10, 205, 000	Total (11 months).....	111, 384, 000
July.....	8, 047, 000		

SUMMARY.

Daily average production of petroleum in the United States increased 110,268 barrels during November as compared with October, according to the United States Geological Survey. The greatest increases were in California, owing to the termination of the strike in the oil fields, and in Texas as a result of developments in the Mexia field. Gains in daily average production are also recorded for Wyoming, Oklahoma, Kentucky, Pennsylvania, Ohio, Tennessee, and Colorado. Decreased daily average production is reported for Kansas, Louisiana, Arkansas, Illinois, Montana, West Virginia, New York, and Indiana.

The number of producing oil wells completed during the month increased 151 over the number completed in October and amounted to 903 which, however, is contrasted with 2,136 producing oil wells completed during November, 1920.

Daily average imports of petroleum increased 59,725 barrels, and 12,993,763 barrels were imported during November. Daily average exports of crude oil increased by 4,722 barrels.

Estimated daily average consumption during November was 1,550,367 barrels, a gain of 92,173 barrels during the month.

Total stock increased 3,399,000 barrels during November. This, however, was chiefly due to a gain of 2,929,000 barrels of Mexican petroleum held in the United States by importers. Net pipe-line and tank-farm stocks east of California increased 328,000 barrels, but mid-continent stocks decreased 620,000 barrels.

PRODUCTION OF PETROLEUM BY STATES.

The following figures, compiled from company reports to the United States Geological Survey, show the quantity of petroleum transported from producing properties. Oil consumed on the leases is not included. This item and net changes in producers' stocks at the beginning and end of the year are obtained by annual canvases and are included in the final statistics of production.

[Barrels of 42 United States gallons.]

State.	October, 1921. ¹		November, 1921.		November, 1920.	
	Total.	Daily average.	Total.	Daily average.	Total.	Daily average.
Oklahoma:						
Osage County.....	1,976,000	63,742			1,740,000	58,000
Remainder of State.....	7,740,000	249,677			7,288,000	242,933
Total, Oklahoma.....	9,716,000	313,419	9,445,000	314,833	9,028,000	300,933
California².....	7,065,000	227,903	8,804,000	283,467	9,340,000	311,333
Texas:						
Central and northern.....	4,846,000	156,322	5,760,000	192,000	6,711,000	223,700
Coastal.....	2,730,000	88,065	2,813,000	93,767	2,762,000	92,067
Total, Texas.....	7,576,000	244,387	8,573,000	285,767	9,473,000	315,767
Kansas.....	2,825,000	91,129	2,709,000	90,300	3,215,000	107,167
Louisiana:						
Northern.....	1,817,000	58,612	1,752,000	58,400	2,462,000	82,067
Coastal.....	124,000	4,000	114,000	3,800	153,000	5,100
Total, Louisiana.....	1,941,000	62,612	1,866,000	62,200	2,615,000	87,167
Wyoming:						
Salt Creek.....	959,000	30,935	1,049,000	34,967	740,000	24,667
Big Muddy.....	141,000	4,548	132,000	4,400	159,000	5,300
Rock Creek.....	110,000	3,548	89,000	2,967	178,000	5,933
Grass Creek.....	99,000	3,194	94,000	3,133	126,000	4,200
Elk Basin.....	49,000	1,581	36,000	1,200	70,000	2,333
Other districts.....	123,800	3,994	104,400	3,480	67,000	2,234
Total, Wyoming.....	1,481,800	47,900	1,504,400	50,147	1,340,000	44,667
Arkansas.....	³ 1,300,000	41,836	³ 1,250,000	41,667		
Illinois.....	890,000	28,710	837,000	27,900	847,000	28,233
Kentucky.....	718,400	23,110	717,800	23,026	723,000	24,100
West Virginia.....	628,000	20,258	607,000	20,233	656,000	21,867
Pennsylvania.....	580,000	18,710	594,000	19,800	603,000	20,100

¹ Revised.

² Average of figures reported by Standard Oil Co. and Independent Oil Producers' Agency.

³ Estimated in part.

State.	October, 1921.		November, 1921.		November, 1920.	
	Total.	Daily average.	Total.	Daily average.	Total.	Daily average.
Ohio:						
Central and eastern.....	406,000	13,064	409,000	13,634	437,000	14,567
Northwestern.....	106,000	5,355	157,000	5,233	165,000	5,500
Total, Ohio.....	571,000	18,419	566,000	18,867	602,000	20,067
Montana.....	153,000	4,936	143,000	4,766	92,000	3,067
Indiana:						
Southwestern.....	70,000	2,258	70,000	2,333	59,000	1,967
Northeastern.....	22,000	710	16,000	533	22,000	733
Total, Indiana.....	92,000	2,968	86,000	2,866	81,000	2,700
New York.....	77,000	2,484	68,000	2,267	75,000	2,500
Colorado.....	8,200	265	8,600	287	8,000	266
Tennessee.....	600	19	1,200	40	1,000	33
	35,621,000	1,149,065	37,780,000	1,259,333	38,699,000	1,289,967

Production of petroleum by fields.

[Barrels.]

Field.	November, 1921.		January-November, inclusive, 1921.		January-November, inclusive, 1920.	
	Total.	Daily average.	Total.	Daily average.	Total.	Daily average.
Appalachian.....	2,397,000	79,900	28,053,000	83,991	27,853,000	83,143
Lima-Indiana.....	173,000	5,766	2,218,000	6,641	2,215,000	6,612
Illinois and southwestern Indiana.....	907,000	30,233	10,058,000	30,114	10,520,000	31,403
Mid-continent.....	20,916,000	697,200	233,007,000	697,625	228,105,000	680,911
Gulf Coast.....	2,927,000	97,567	31,367,000	93,913	24,120,000	72,000
Rocky Mountain.....	1,656,000	53,200	18,672,000	55,904	15,998,000	47,755
California.....	8,804,000	293,467	104,617,000	313,225	95,630,000	285,463
Total.....	37,780,000	1,259,333	427,992,000	1,281,413	404,441,000	1,207,287

STOCKS.

Stocks of petroleum are classified as follows:

Producers' stock.—Petroleum held on the producing properties (lease storage).

Pipe-line and tank-farm stocks.—Petroleum that has been removed from the producing properties but not delivered to refineries and is held on tank farms, in tanks along trunk pipe lines, and in the lines.

Refinery stocks.—Petroleum that has been delivered to refineries and is held in tanks awaiting runs to stills.

Pipe-line and tank-farm stocks constitute by far the greater part of the petroleum held in storage in the United States. For the States east of California such stocks are reported monthly to the Geological Survey as gross stocks, including the total contents of tanks and pipe lines, and as net stocks, which are gross stocks minus B. S. and water. Contents of trunk pipe lines, amounting to approximately 9,000,000 barrels, are also reported. Stocks reported for California, which represent the average figures collected by the Standard Oil Co. and the Independent Oil Producers' Agency, include, in addition to gross pipe-line and tank-farm stocks, some residuum and unfinished refinery products that have been turned back to pipe lines and also producers' stocks.

Refinery stocks are reported monthly by the Bureau of Mines.

Producers' stocks held on the leases in States east of California ordinarily constitute approximately 3 per cent of the total stocks and, because they are held by many thousand operators, can not readily be recorded monthly but are reported to the Geological Survey annually.

Stocks of petroleum on last day of month.

[Barrels.]

	Oct. 31, 1921. ¹	Nov. 30, 1921.	Nov. 30, 1920.
A. Domestic petroleum, east of California, pipe-line and tank-farm stocks (source of oil by fields):			
Appalachian—			
New York, Pennsylvania, West Virginia, eastern and central Ohio—			
Gross.....	4,602,000	4,801,000	2,826,000
Net.....	4,339,000	4,536,000	2,567,000
Kentucky—			
Gross.....	1,973,000	2,064,000	834,000
Net.....	1,881,000	1,971,000	772,000
Lima-Indiana—			
Gross.....	1,536,000	1,501,000	1,363,000
Net.....	1,158,000	1,136,000	971,000
Illinois and southwestern Indiana—			
Gross.....	7,227,000	7,622,000	3,445,000
Net.....	6,733,000	7,122,000	2,913,000
Mid-continent—			
Oklahoma, Kansas, central and northern Texas—			
Gross.....	99,732,000	99,278,000	75,006,000
Net.....	90,194,000	89,301,000	65,314,000
Northern Louisiana and Arkansas—			
Gross.....	9,766,000	9,941,000	8,534,000
Net.....	9,199,000	9,472,000	8,012,000
Gulf Coast—			
Gross.....	18,706,000	18,795,000	12,006,000
Net.....	17,159,000	17,422,000	10,905,000
Rocky Mountain—			
Gross.....	1,111,000	1,142,000	567,000
Net.....	1,098,000	1,129,000	558,000
Total pipe-line and tank-farm stocks east of California—			
Gross.....	144,653,000	145,144,000	104,581,000
Net.....	131,761,000	132,080,000	92,015,000
California, gross pipe-line, tank-farm, and producers' stocks.....	31,574,000	31,716,000	21,272,000
B. Mexican petroleum held in the United States by importers:			
At Atlantic coast stations—			
Crude.....	4,186,000	5,561,000	2,193,000
Topped.....	* 1,182,000	* 1,680,000	1,164,000
At Gulf coast stations—			
Crude.....	2,564,000	3,523,000	2,594,000
Topped.....	* 1,340,000	* 1,437,000	648,000
Total Mexican.....	9,272,000	12,201,000	6,599,000
Total of net pipe-line and tank-farm stocks east of California, gross pipe-line, tank-farm, and producers' stocks in California, and stocks of Mexican petroleum held by importers in the United States.....	172,607,000	176,006,000	119,886,000

¹ Revised.² Includes only oil topped in Mexico.

Imports and exports of mineral crude oil,¹ in barrels, compiled from the records of the Bureau of Foreign and Domestic Commerce.

	October, 1921.		November, 1921.		January-November, inclusive, 1921.	January-November, inclusive, 1920.
	Total.	Daily average.	Total.	Daily average.		
Imports:						
Mexico.....	11,575,405	373,400	12,985,906	432,863	111,329,631	93,325,764
Other countries.....	5	.....	7,857	262	53,941	4,044
	11,575,410	373,400	12,993,763	433,125	111,383,572	93,329,808
Ports of entry:						
Atlantic coast.....	7,258,920	234,159	7,172,859	239,095	57,749,158	50,371,470
Gulf coast.....	4,316,488	139,241	5,590,904	186,364	51,416,473	42,275,365
Pacific coast.....	.....	.....	70,000	2,333	1,352,011	448,939
Northern border.....	2	.....	.....	.....	10,978	2,653
Mexican border.....	.....	.....	160,000	5,333	854,952	231,381
	11,575,410	373,400	12,993,763	433,125	111,383,572	93,329,808
Exports:						
Canada.....	577,048	18,615	602,363	20,080	6,720,383	6,040,475
Other countries.....	169,584	5,470	261,630	8,727	1,621,242	1,314,744
	746,632	24,085	864,223	28,807	8,341,625	7,355,219
Excess of imports over exports.....	10,828,778	349,315	12,129,540	404,318	103,041,947	85,974,588

¹ Imports include topped oil.

Classification of imports of Mexican petroleum.

	Percentage of total Mexican imports.		
	October, 1921. ¹	November, 1921.	November, 1920.
Grades of oil imported:			
Light crude (more than 16° Baumé).....	59	55	63
Heavy crude (less than 16° Baumé).....	20	28	22
Topped oil.....	21	17	15

¹ Revised.

Estimated deliveries of domestic petroleum by pipe-line and other marketing companies, in barrels.¹

	November, 1921.		January-November, inclusive, 1921.		January-November, inclusive, 1920.	
	Total.	Daily average.	Total.	Daily average.	Total.	Daily average.
Appalachian.....	2,110,000	70,333	24,973,000	74,769	28,001,000	83,585
Lima-Indiana.....	195,000	6,500	2,270,000	6,796	2,255,000	6,731
Illinois and southwestern Indiana.....	518,000	17,267	5,753,000	17,225	11,252,000	33,538
Mid-Continent.....	21,536,000	717,867	209,924,000	639,515	215,396,000	642,971
Gulf Coast.....	2,664,000	88,900	25,108,000	75,174	24,677,000	73,663
Rocky Mountain.....	1,625,000	54,187	18,177,000	54,422	15,902,000	47,469
California.....	8,662,000	288,733	93,831,000	290,931	103,500,000	308,955
	37,310,000	1,243,667	390,036,000	1,137,832	400,983,000	1,196,964

¹ Production plus domestic stocks at beginning of month minus domestic stocks at end of month.

Estimated consumption (deliveries to consumers) of domestic and imported petroleum, in barrels.¹

	October, 1921. ²	November, 1921.	January-November, inclusive, 1921.	January-November, inclusive, 1920.
Total.....	45,204,000	40,511,000	477,243,000	483,277,000
Daily average.....	1,158,194	1,550,367	1,428,871	1,442,618

¹ Domestic production and net imports plus decrease or minus increase of stocks.

² Revised.

Condensed summary for January-November, 1921, and for November, 1920.

	Domestic production of petroleum.			Imports of "mineral crude oil."	
	Total (thousands of barrels).	Daily average (barrels).	Estimated value at wells.	Total (thousands of barrels).	Daily average (barrels).
1921.					
January.....	37,853	1,221,064	\$111,000,000	13,193	425,577
February.....	35,348	1,262,428	69,100,000	11,384	406,580
March.....	40,965	1,321,452	72,800,000	12,303	396,875
April.....	40,061	1,335,367	70,900,000	10,044	334,797
May.....	42,043	1,356,226	66,200,000	9,147	298,078
June.....	40,412	1,347,067	52,300,000	10,205	340,175
July.....	40,328	1,300,904	45,400,000	8,047	259,576
August.....	40,966	1,321,484	43,900,000	3,352	108,136
September.....	36,615	1,220,500	39,600,000	9,139	304,615
October.....	35,621	1,149,065	52,000,000	11,576	373,400
November.....	37,780	1,259,333	67,100,000	12,994	443,125
1920.					
November.....	38,699	1,289,967	119,400,000	13,750	458,340

	Exports of crude oil.		Stocks. ¹		Estimated consumption of domestic and imported petroleum.		Number of producing oil wells completed during month. ²
	Total (thousands of barrels).	Daily average (barrels).	Held on last day of month (thousands of barrels).	Number days' supply based on daily rate consumption.	Total (thousands of barrels).	Daily average (barrels).	
1921.							
January.....	736	23,730	124,256	79.8	48,268	1,557,032	1,832
February.....	769	27,468	130,884	93.2	39,335	1,404,821	1,574
March.....	726	23,492	138,181	94.7	45,243	1,459,452	1,452
April.....	743	24,763	145,016	102.3	42,527	1,417,567	1,224
May.....	865	27,914	153,814	114.8	41,527	1,339,581	1,401
June.....	556	19,538	161,048	112.9	42,797	1,426,567	1,471
July.....	538	17,363	167,352	124.9	41,533	1,339,774	1,157
August.....	884	28,542	168,190	122.4	42,596	1,374,065	952
September.....	881	29,352	171,361	123.3	41,702	1,390,067	788
October.....	747	24,085	172,607	118.4	45,204	1,458,194	752
November.....	864	28,807	176,006	113.5	46,511	1,550,367	903
1920.							
November.....	635	21,160	119,886	73.6	48,895	1,629,833	2,136

¹ Net pipe-line and tank-farm stocks east of California and gross pipe-line, tank-farm, and producer's stocks in California plus stocks of Mexican petroleum held in the United States by importers.

² From Oil and Gas Journal and Standard Oil Bulletin (California).

STATEMENT OF W. J. SPILLMAN, WASHINGTON, D. C.

Mr. SPILLMAN. I just want to make a brief statement of the farmers' interest in this question of the tariff on oil. The figures that I am giving you are for a somewhat earlier date than those that Mr. Murphy gave you and are, therefore, somewhat smaller. They relate to December 31, 1920. That was just a year ago this month.

There were at that time in the United States estimated to be 2,840,000 automobiles on American farms. The estimated use of gasoline by those machines was 390 gallons each.

There were at that time 160,000 trucks using an average of 1,000 gallons of gasoline a year.

Of the tractors there were 100,000, using gasoline an average of 700 gallons a year.

I think that estimate is a little bit low, from other figures that I have; in fact, I think these figures are all distinctly conservative figures.

There were some two hundred thousand tractors using kerosene at the rate of 700 gallons each per year. That use of gasoline on farms for those three classes of implements amounted per year to 1,337,000,000 gallons. In addition, they used 140,000,000 gallons of kerosene.

Senator CURTIS. May I ask you a question right there?

Mr. SPILLMAN. Certainly, Senator.

Senator CURTIS. Do you know how much gasoline was in storage last June?

Mr. SPILLMAN. I understand there was quite a bit of it.

Senator CURTIS. About 800,000,000 gallons.

Mr. SPILLMAN. That is a figure that I am not familiar with. What I am giving you here now is the quantity of it used by the American farmers.

Senator CURTIS. The point I wanted to bring out was that there was a lot in storage that was not put on the market because it might have reduced the price of gasoline.

Mr. SPILLMAN. I wish the price of gasoline could be reduced, because the farmer is very much interested in reducing the price.

You gentlemen have doubtless heard this said many times before, but it can not be said too often. The American farmer is at the present time selling corn at an average of 32 cents a bushel which cost him probably 60 cents per bushel to make. He is selling wheat at around 95 cents which cost him \$1.75 a bushel to make; and any even slight burden added to the bill the farmer of this country has to pay is a very serious matter.

The figures that I have just given show 140,000,000 gallons of kerosene used by these 200,000 kerosene-burning tractors. In addition to that there are estimated to be 2,000,000 stationary gasoline and kerosene burning engines, but I have at the present time no estimate of the amount they use. But it is a considerable quantity.

In addition to that, these same implements are estimated to use 83,000,000 gallons of lubricating oil per year. Those are just uses on farms.

In addition to that, petroleum enters into the manufacture of literally hundreds of different kinds of products in which farmers are interested, along with the general public. Dyestuffs are made mainly from petroleum products. A great many of the most important

medicines are made from coal-tar products; also paints and varnishes; the surfacing of roads, a question in which the farmer is very deeply interested and in which he is taxing himself to the limit at the present time, and some farmers think it is a little beyond the limit. Roofing is another important product partly made from asphalt, which is a residue from petroleum. Lubricating oils for machinery of all kinds—and the farmer is the most important purchaser of machinery in this country. He has got to pay the bill for that lubricating oil. And gaslight, gas fuel, wherever it is used in industry, the farmer has got to pay his share of the cost.

We heard this morning of the use of petroleum products as fuel in the phosphate fields of Florida. I happen to know that the fertilizer industry in this country at the present time is in a most critical situation, simply because the farmer has not been able to buy fertilizer. He went in debt for fertilizer last year as deeply as he could, and he has not been able to pay those debts and he can not get much more deeply in debt now because he has not the credit. Any slight addition that is made to the cost of products that the farmer has to use is a very serious matter.

One other thing: The farmer thinks, and I want to say that I agree with him in this, that every gallon of petroleum that is imported into this country means the ultimate saving for the future of a gallon of our own product, and if we can believe the experts the time is not far distant when all these automobiles that we are driving around the country and which have now become a necessity will consume our supply of the product they can burn; so that rather than encourage the greater manufacture and use of our own raw product in this country, it looks to be to the public interest, not for the special interest of farmers, but the public interest, to encourage the importation of all of these things we can; and it looks to the farmers that those who are asking for a tariff on this oil are asking for a subsidy in return for which they are not offering much material public benefit.

I thank you.

Senator WATSON. Doctor, what do you represent?

Mr. SPILLMAN. The farmers of America.

Senator WATSON. What particular organization?

Mr. SPILLMAN. None whatever—the unorganized farmers. I speak here without authority from anybody.

STATEMENT OF M. O. ELDRIDGE, REPRESENTING THE AMERICAN AUTOMOBILE ASSOCIATION, WASHINGTON, D. C.

Mr. ELDRIDGE. Pursuant to a resolution formally adopted, the American Automobile Association enters its protest against the proposal, which it is informed will be advocated before this committee, to impose a tariff of 35 cents per barrel on crude oil and 25 cents per barrel on fuel oil. We also desire to enter protest against the proposed tariff on asphalt, which, according to the proposal made to the House Committee on Ways and Means, would amount to \$1.50 per ton on crude and \$3 per ton for dried or advanced. In this matter the association is endeavoring to serve the 10,000,000 owners of automobiles throughout the United States and indirectly the owners of 2,500,000 stationary engines and 400,000 tractors on the farms of this country.

More than 10,000,000 automobiles are owned in the United States or more than 83 per cent of all the automobiles in the world; and yet only 15½ per cent of the world's oil supply is located in the United States. While this Nation is furnishing two-thirds of the world's total production of oil, it is consuming over three-fourths of the world's total production, which makes it a necessity to import over 20 per cent of the requirements of the United States. Any tariff which would prohibit or restrict the flow of oil to this country would, therefore, affect adversely, in some form, nearly every citizen within its borders.

Conservative estimates of the increase in the price of gasoline derived from Mexican oil, resulting from the proposed tariff, reach from 3½ cents to 7 cents per gallon, and, therefore, the entire gasoline supply would bear an additional burden cost, on an estimated consumption in excess of 4,000,000,000 gallons per annum, of about \$140,000,000. This burden would fall upon the consumers, who are the American owners of automobiles, over 10,000,000 in number; the American owners of other gas engines, over 3,000,000 in number; American farmers owning 400,000 farm tractors; and the American users of kerosene, which in one form or another finds its way into almost every one of the 25,000,000 American homes.

We have a little chart that we have prepared which shows the comparison between automobile expansion and oil production within the last 10 years.

The crude-oil production in the United States in 1911, 10 years ago, amounted to 220,449,391 barrels. In 1921 it is estimated to be about 474,000,000 barrels, on the basis of six months' production.

Automobiles registered in the United States in 1911 amounted to 700,000. In 1921 it is estimated that we will have from nine and a half to ten million.

In other words, we have doubled the production of oil in 10 years in the United States, but we have 14 automobiles now where we had one 10 years ago.

The production average per automobile 10 years ago was 315 barrels. To-day it is 47 barrels to the automobile, which is a ratio of 1 to 7. In other words, we had seven times as much oil 10 years ago, per automobile, as we have at the present time.

If the production and sale of motor vehicles continue to increase in the future as in the past 10 years, it is not unlikely that we shall soon be compelled to purchase immense quantities of oil in foreign countries.

A tariff on oil would place a premium on the rapid depletion of this one of our greatest natural resources; furthermore, it would enable and encourage foreign countries to monopolize foreign supplies of petroleum.

The use of the automobile, the truck, the tractor, and the gasoline stationary engine has become a vital and necessary factor in the individual and industrial life of the nation. To impose additional cost on the individual, as well as industry generally, at a time of severe industrial depression, would be to tax the Nation for the benefit of a few who do not need help, and to commit an economic and therefore a political wrong.

Since this tariff on oil was proposed by its advocates in the House of Representatives the price of crude oil in the mid-continent field

has increased from 90 cents to \$2.25 a barrel, or 150 per cent. Natural economic processes have brought a higher degree of protection than the proponents of a tariff asked.

About 60 per cent of the asphaltic materials used in the United States for road-building and roofing purposes are imported from Mexico.

If a tariff on asphalt is imposed it can accomplish only the increased cost and consequent delay to road building and maintenance so urgently needed. This work is now carried on principally by the Federal Government, States, and counties. Consequently, the public would ultimately pay this increased cost and the Federal Government, by reason of its large appropriations to the States for road construction, would necessarily have to pay back a large portion of the tariff collected, as it would certainly have to stand its share of any increased cost.

Furthermore, it is evident that it would not be a protective tariff, because there are no native asphalts, of the kind imported, produced in this country and no known source of supply. Native asphalts compete in kind only and not in cost or price with the home product artificially produced from petroleum.

The home industry requires no protection, as indicated by increase in production from 551,023 tons in 1913 to 1,731,500 tons in 1920, as compared with a decrease in the imported native asphalts from 207,033 tons in 1913 to 127,027 tons in 1920, during which period asphalt was on the free list.

With the price of gasoline now double what it was in prewar periods, and with an increase in the price of refined asphalt amounting to about 50 per cent, we desire to enter vigorous and earnest protest against a tariff which would still further increase the difficulties of individual and business effort.

I thank you.

STATEMENT OF J. B. KLUMPP, REPRESENTING THE AMERICAN GAS ASSOCIATION, PHILADELPHIA, PA.

Mr. KLUMPP. Mr. Chairman and gentlemen of the committee, I am here representing the American Gas Association, an association formed by the larger gas companies in the United States manufacturing gas and supplying it to the public generally.

The American Gas Association opposes the imposition of a duty on petroleum. This association is acting on behalf of about 480 of the largest companies manufacturing gas in the United States. The basis for this opposition is the fact that petroleum, or its products, is used in the production of about 65 per cent of all the manufactured gas produced in the United States, and it is our earnest request that no action be taken favoring the imposition of a duty on petroleum that would tend to restrict the quantity of gas oil that will be available and necessary for the future production of the 160,000,000,000 cubic feet of gas that must be manufactured yearly from this oil.

At this time the quantity of gas oil used in gas manufacture amounts to over 24,000,000 barrels yearly, while a conservative estimate of the growth of the gas industry indicates that the quantity required in five years will amount to at least 28,000,000 barrels yearly.

The quantity of gas oil required by the gas companies on the Atlantic seaboard is about 60 per cent of the total of all gas companies' requirements, in the Mississippi Valley about 20 per cent, and on the Pacific coast about 20 per cent. Therefore, it will readily be seen that a duty on oil aimed to protect production and supply in the mid-continent field will impose a severe burden upon users of 60 per cent of all the gas oil sold, that is, upon those gas companies located on the Atlantic seaboard or closely adjacent thereto, where practically the entire amount of gas oil is delivered by water from fields other than the mid-continent.

Senator WATSON. How many cities use oil in the manufacture of gas?

Mr. KLUMPP. Four hundred and thirty-five cities making carbureted water gas, 101 making oil gas, and 168 making both oil gas and coal gas, or a total of 704 cities needing oil for the manufacture of gas.

Senator WATSON. How much do they consume?

Mr. KLUMPP. Twenty-four million barrels of gas oil yearly.

Senator WATSON. Do they take it in crude form?

Mr. KLUMPP. Originally it started in crude form. The crude oil is being supplied to some few companies where it is available, but the form of gas oil received in the last 10 years has been a product between the kerosenes and lubricating oils.

Any duty imposed upon crude oil will be reflected in the selling price of crude oil and its various products, so that a duty of 35 cents a barrel, or approximately 1 cent a gallon on crude oil, would tend to increase the price of gas oil about $1\frac{1}{2}$ cents per gallon, or \$8,000,000 yearly, which would result in an increase in the price of manufactured gas of about 5 cents per thousand cubic feet to some 43,000,000 people in the United States. A duty of \$1 per barrel will increase the price of gas from 12 to 15 cents per thousand cubic feet or a total of \$25,000,000 yearly.

Authoritative statistics showing the quantity of oil-refinery products combine gas oil and fuel oil under one heading, so for this reason it is impossible accurately to determine the amount of gas oil produced, since all fuel oil is not gas oil. Fuel oil includes heavy residuals remaining after the distillation of the crude oil; "cracked" oils, from which the increased gasoline production is now being obtained; and heavy crude oils that are not fit for gasoline production or gas-manufacturing purposes.

When the process of crude-oil refining consisted of the simple distillation process, that portion of distillate obtained between kerosene and lubricating oil was sold as gas oil. However, with the introduction of the cracking process into the oil-refining industry, the gas-oil portion is still further reduced to gasoline and a heavy residue useless for gas-making purposes.

The subjection of gas oil or fuel oil to the cracking process is analogous in results to the subjection of gas oil to the gas-making process in that heavy and ungasifiable residuums are left, gasoline being the desired product in the former instance and gas the desired product in the latter instance.

Practically all gas oils that can be used for gas-making purposes can be cracked into gasoline, and as the demand for gasoline increases a stringency in gas oil for gas-making purposes must be

expected, since it is the same constituent which makes oil valuable for either gasoline or gas-making purposes.

In the gas industry the only substitute for carbureted water gas is coal gas, produced in coke-oven plants or retort plants. The least expensive type of coal-gas plant requires an investment about twice that for a carbureted water-gas plant of corresponding capacity, so that eventually to replace all water gas would necessitate an enormous duplicate investment and would require many years to complete. In addition, construction costs to-day are from 50 to 100 per cent and the cost of capital at least 50 per cent above normal. Hence the interest or fixed charges on the investment would be double that of normal construction and would continue so even when operating charges return to more normal figures.

Coal-gas plants, however, are being rapidly installed, but the increase in capacity hardly meets more than the increasing demand for gas; therefore, unless the gas manufactured in the present carbureted water-gas plants contains considerably less oil per thousand cubic feet no diminution in the total demand for gas oil can be expected.

There is another important factor which must be recognized when considering the installation of coal gas, namely, the growing scarcity of high-grade gas coals. The better grades of gas coals are being rapidly consumed by railroads and industries and by existing gas and coke-oven plants; therefore, it will be only a comparatively short time when the poorer grades of gas coals must generally be used. With the use of these poorer grades, and under a continuation of the present high quality gas standards required by regulatory authorities, gas oil will have to be used if the gas manufactured is to meet these high standards, so that even a partial replacement of the present carbureted water-gas plants by coal-gas plants will not greatly relieve the oil situation unless the regulatory authorities reduce the present high standards of quality now demanded in many localities.

Still another important controlling factor which affects the installation of coal-gas plants is the disposal of large quantities of excess coke produced, which must be marketed at reasonable rates to make these installations commercially possible.

It is evident from the foregoing reasons that the manufacture of carbureted water gas of necessity will be continued for a long time. Therefore, the gas industry must look for a continuance of a large supply of good gas-making oil, as nothing will take its place. To get this supply, every effort should be made to guarantee its production or importation, so that the chances of a repetition of the serious condition faced by the gas companies during 1920 can be reduced to a minimum.

During the spring and summer of 1920, before any sign of general business depression appeared, the gas companies were notified by the oil companies that a shortage of gas oil was expected and that no assurance could be given that gas oil could be supplied for any definite period in the future. In many cases the oil companies would make no contracts with gas companies that had been supplied by them for some time, and in a few cases gas companies actually were unable to purchase gas oil from which they could manufacture gas of satisfactory quality. Subsequently the oil companies notified the

gas companies that the available gas oil was being utilized for the production of gasoline, of which there was a shortage, and that if this gas oil was to be delivered to the gas companies it would have to be purchased at a price in competition with gasoline.

This latter condition was actually experienced by most gas companies in this country, and the price of gas oil rose to unheard of figures, the average price on the Atlantic seaboard running from 12 to 15 cents per gallon. This occurred when the production of oil in this country had reached new high levels and when the consumption of crude-oil products was enormous, due to the great prosperity of most all branches of industry.

The recent break in oil prices to figures that are even now 50 to 100 per cent above prewar figures is temporary and due solely to the business depression, which has been accompanied by a decreased demand for gasoline resulting from the temporary cessation of the use of automobiles, the shutting down of industrial plants which had been using oil as fuel, the present idleness of the merchant marine, and the lack of activity on the part of the Navy. With this diminution in the use of oil the tank capacity of the oil companies became filled, and with the continued high production and lack of storage it was inevitable that prices should fall.

If there had not been a great increase in oil importations the last two years, and if the business depression had not appeared during the past year, the country would be experiencing to-day an oil famine which would seriously restrict the use of the automobile and render the use of oil in the manufactured-gas business practically prohibitive.

All signs point to a general revival in business, and when this takes place the same condition of oil shortage as has been experienced and briefly described again will occur, only it will be intensified. The general use of automobiles is increasing by leaps and bounds, and their use will be restricted only through the inability of oil companies to produce sufficient gasoline for their operation. The production of gasoline will thus be stimulated, and all other products of oil distillation will be sacrificed to the production of gasoline. Thus will the shortage of gas oil again become acute, and again will the gas industry be faced with an oil shortage.

It will be possible, however, to help this situation through importations of oil. Any restrictions placed upon oil imports render continued operation by a large percentage of manufactured-gas companies throughout the country more difficult, especially those on the Atlantic seaboard. This hinders the gas companies in the proper performance of their duty to the community and places an undue and unnecessary financial burden upon the gas consumers in the United States.

I have had this brief printed, and some charts are attached to it which substantiate the figures that I have given.

Senator WATSON. Do you want it in the record?

Mr. KLUMPP. Yes; I would like to have it in the record.

Senator McCUMBER. It will be put in the record.

BRIEF OF J. B. KLUMPP, PHILADELPHIA, PA., REPRESENTING THE AMERICAN GAS ASSOCIATION.

The American Gas Association opposes the imposition of a duty on petroleum. This association is acting on behalf of about 480 of the largest companies manufacturing gas in the United States. The basis for this opposition is the fact that petroleum, or its products, is used in the production of about 65 per cent of all the manufactured gas produced in the United States, and it is our earnest request that no action be taken favoring the imposition of a duty on petroleum that would tend to restrict the quantity of gas oil that will be available and necessary for the future production of the 160,000,000,000 cubic feet of gas that must be manufactured yearly from this oil.

At this time the quantity of gas oil used in gas manufacture amounts to over 24,000,000 barrels yearly, while a conservative estimate of the growth of the gas industry indicates that the quantity required in five years will amount to at least 28,000,000 barrels yearly.

The quantity of gas oil required by the gas companies on the Atlantic seaboard is about 60 per cent of the total of all gas companies' requirements, in the Mississippi Valley about 20 per cent, and on the Pacific coast about 20 per cent. Therefore, it will readily be seen that a duty on oil aimed to protect production and supply in the mid-continent field, will impose a severe burden upon users of 60 per cent of all the gas oil sold; that is, upon those gas companies located on the Atlantic seaboard or closely adjacent thereto, where practically the entire amount of gas oil is delivered by water from fields other than the mid-continent.

Any duty imposed upon crude oil will be reflected in the selling price of crude oil and its various products, so that a duty of 35 cents a barrel, or approximately 1 cent a gallon on crude oil, would tend to increase the price of gas oil about $1\frac{1}{2}$ cents per gallon, which would result in an increase in the price of manufactured gas of about 5 cents per thousand cubic feet to some 43,000,000 people in the United States. A duty of \$1 per barrel would tend to increase the price of gas 12 to 15 cents per thousand cubic feet, or \$25,000,000 yearly.

Authoritative statistics showing the quantity of oil refinery products, combine gas oil and fuel oil under one heading, so for this reason it is impossible accurately to determine the amount of gas oil produced since all fuel oil is not gas oil. Fuel oil includes heavy residuals remaining after the distillation of the crude oil; "cracked" oils from which the increased gasoline production is now being obtained, and heavy crude oils that are not fit for gasoline production or gas manufacturing purposes.

When the process of crude oil refining consisted of the simple distillation process, that portion of the distillate obtained between kerosene and lubricating oil was sold as gas oil. However, with the introduction of the cracking process into the oil-refining industry, the gas-oil portion is still further reduced to gasoline and a heavy residue useless for gas-making purposes.

The subjection of gas oil or fuel oil to the cracking process is analogous in results to the subjection of gas oil to the gas-making process in that heavy and ungasifiable residuums are left, gasoline being the desired product in the former instance, and gas the desired product in the latter instance.

Practically all gas oils that can be used for gas-making purposes can be cracked into gasoline, and as the demand for gasoline increases, a stringency in gas oil for gas-making purposes must be expected, since it is the same constituent which makes oil valuable for either gasoline or gas-making purposes.

In the gas industry, the only substitute for carbureted water gas is coal gas, produced in coke oven plants or retort plants. The least expensive type of coal gas plant requires an investment about twice that for a carbureted water gas plant of corresponding capacity, so that eventually to replace all water gas would necessitate an enormous duplicate investment and would require many years to complete. In addition, construction costs to-day are from 50 to 100 per cent and the cost of capital at least 50 per cent above normal. Hence the interest or fixed charges on the investment would be double that of normal construction and would continue so even when operating charges return to more normal figures.

Coal gas plants, however, are being rapidly installed, but the increase in capacity hardly meets more than the increasing demand for gas; therefore, unless the gas manufactured in the present carbureted water gas plants contains considerably less oil per thousand cubic feet, no diminution in the total demand for gas oil can be expected.

There is another important factor which must be recognized when considering the installation of coal gas, namely, the growing scarcity of high-grade gas coals. The better grades of gas coals are being rapidly consumed by railroads and industries and by existing gas and coke oven plants; therefore, it will be only a comparatively short time when the poorer grades of gas coals must generally be used. With the

use of these poorer grades, and under a continuation of the present high quality gas standards required by regulatory authorities, gas oil will have to be used if the gas manufactured is to meet these high standards, so that even a partial replacement of the present carbureted water gas plants by coal gas plants will not greatly relieve the oil situation unless the regulatory authorities reduce the present high standards of quality now demanded in many localities.

Still another important controlling factor which affects the installation of coal gas plants is the disposal of large quantities of excess coke produced, which must be marketed at reasonable rates to make these installations commercially possible.

It is evident from the foregoing reasons that the manufacture of carbureted water gas of necessity will be continued for a long time. Therefore, the gas industry must look for a continuance of a large supply of good gas-making oil, as nothing will take its place. To get this supply, every effort should be made to guarantee its production or importation, so that the chances of a repetition of the serious condition faced by the gas companies during 1920 can be reduced to a minimum.

During the spring and summer of 1920, before any sign of general business depression appeared, the gas companies were notified by the oil companies that a shortage of gas oil was expected and that no assurance could be given that gas oil could be supplied for any definite period in the future. In many cases the oil companies would make no contracts with gas companies that had been supplied by them for some time and in a few cases gas companies actually were unable to purchase gas oil from which they could manufacture gas of satisfactory quality. Subsequently, the oil companies notified the gas companies that the available gas oil was being utilized for the production of gasoline of which there was a shortage and that if this gas oil was to be delivered to the gas companies, it would have to be purchased at a price in competition with gasoline.

This latter condition was actually experienced by most gas companies in this country and the price of gas oil rose to unheard of figures, the average price on the Atlantic seaboard running from 12 to 15 cents per gallon. This occurred when the production of oil in this country had reached new high levels and when the consumption of crude oil products was enormous, due to the great prosperity of most all branches of industry.

The recent break in oil prices, to figures that are even now 50 to 100 per cent above prewar figures, is temporary and due solely to the business depression which has been accompanied by a decreased demand for gasoline resulting from the temporary cessation of the use of automobiles; the shutting down of industrial plants which had been using oil as fuel, the present idleness of the merchant marine, and the lack of activity on the part of the Navy. With this diminution in the use of oil, the tank capacity of the oil companies became filled and with the continued high production and lack of storage, it was inevitable that prices should fall.

If there had not been a great increase in oil importations the last two years, and if the business depression had not appeared during the past year, the country would be experiencing to-day an oil famine which would seriously restrict the use of the automobile and render the use of oil in the manufactured gas business practically prohibitive.

All signs point to a general revival in business and when this takes place the same condition of oil shortage as has been experienced and briefly described again will occur, only it will be intensified. The general use of automobiles is increasing by leaps and bounds, and their use will be restricted only through the inability of oil companies to produce sufficient gasoline for their operation. The production of gasoline will thus be stimulated, and all other products of oil distillation will be sacrificed to the production of gasoline. Thus will the shortage of gas oil again become acute, and again will the gas industry be faced with an oil shortage.

It will be possible, however, to help this situation through importations of oil. Any restrictions placed upon oil imports render continued operation by a large percentage of manufactured gas companies throughout the country more difficult, especially those on the Atlantic seaboard. This hinders the gas companies in the proper performance of their duty to the community and places an undue and unnecessary financial burden upon the gas consumers in the United States.

The following charts explain graphically the facts set forth in this brief. The material for these charts was secured from the following sources: The United States Geological Survey, the United States Bureau of Mines, the United States Bureau of the Census.

CHART 1.

This chart shows the division of gas-oil requirements for 1920 by districts, in barrels, and by percentage.

	Barrels.	Per cent.
Atlantic seaboard and adjacent States.....	14,400,000	59.8
Middle States.....	3,000,000	20.7
Mountain States.....	250,000	1.1
Pacific coast.....	4,450,000	18.4
Total.....	21,100,000	100.0

CHART 2. AVERAGE PRICE OF GAS OIL VERSUS AVERAGE PRICE OF CRUDE OIL.

This chart shows the ratio between the average price of gas oil to gas companies and the average price of mid-continent crude, and indicates that any price addition to crude oil is reflected in an increase in price of gas oil.

Year.	Average price for gas oil paid by gas companies.	Average price mid-continent crude.	Year.	Average price for gas oil paid by gas companies.	Average price mid-continent crude.
	<i>Cents.</i>	<i>Cents.</i>		<i>Cents.</i>	<i>Cents.</i>
1910.....	3.08	0.92	1916.....	4.14	2.09
1911.....	2.96	1.13	1917.....	5.76	4.23
1912.....	3.40	1.81	1918.....	7.00	5.21
1913.....	4.35	2.24	1919.....	7.05	5.40
1914.....	4.35	1.87	1920.....	12.62	8.30
1915.....	3.57	1.38			

CHART 3. OUTPUT OF REFINERIES.

This chart shows the output of refineries in gasoline, kerosene, gas and fuel oil, and lubricating oil for the five years 1916 to 1920, inclusive, in both quantities and percentage. It will be seen that the percentage increase in the gasoline output for 1920 over 1916 has been 137 per cent.

Year.	Millions of barrels.				Per cent increase over 1916.			
	Gasoline.	Kerosene.	Gas and fuel oils.	Lubricants.	Gasoline.	Kerosene.	Gas and fuel oils.	Lubricants.
1916.....	49	35	111	15	0	0	0	0
1917.....	68	41	153	18	39	17	40	20
1918.....	85	43	174	20	74	23	57	33
1919.....	95	56	181	20	94	60	63	33
1920.....	116	55	211	25	137	57	90	67

CHART 4. PRODUCTION OF GASOLINE IN THE UNITED STATES.

This chart shows how the extraction of gasoline has increased in order to meet the demands of approximately 8,000,000 motor vehicles in this country. It is to be noted that not only the total gasoline extraction has increased, but also the extraction per barrel of crude oil run to stills, the latter condition resulting in lowering the quantity and quality of gas oil available.

Year.	Millions of barrels.		Per cent extraction.	Gallons of gasoline per barrel of crude oil.
	Crude run to stills.	Gasoline extraction.		
1909.....	120	13	10.8	4.5
1914.....	191	35	18.3	7.7
1916.....	247	49	19.8	8.3
1917.....	315	68	21.6	9.1
1918.....	326	85	26.1	10.9
1919.....	361	95	26.3	11.0
1920.....	434	116	16.8	11.3

CHART 5. THE ENCROACHMENT OF CRACKING FOR GASOLINE UPON THE SUPPLY OF GAS OIL.

This chart shows the ratio of quantity of domestic production obtained from this crude oil during the period 1901-1920 inclusive, together with an estimate of these conditions for year 1925. It is to be noted that if domestic production is not augmented with imports and the cracking process is developed to take care of the estimated gasoline requirements, there will be no gas available in the near future.

CHART 6. CRUDE OIL, IMPORTS AND PRODUCTION.

This chart shows the ratio of quantity of domestic production of crude oil as compared with the quantity imported.

Year.	Millions of barrels.			Year.	Millions of barrels.		
	Domestic production.	Imports.	Total available.		Domestic production.	Imports.	Total available.
1910.....	210	1	211	1916.....	301	21	322
1911.....	220	2	222	1917.....	335	30	365
1912.....	223	7	230	1918.....	356	38	394
1913.....	248	13	266	1919.....	378	53	431
1914.....	266	17	283	1920.....	443	106	549
1915.....	281	18	299				

CHART 7. CRUDE OIL CONSUMPTION.

This chart shows the ratio of quantity of domestic production of crude oil compared with the consumption in this country. In this case, consumption includes domestic use and exports. The chart shows clearly that for the past five years there has not been sufficient oil for domestic consumption and export use and were it not for the great increase in importations, the exports would of necessity have been less, or else there would have been a reduction in domestic consumption.

Year.	Millions of barrels.			Year.	Millions of barrels.		
	Domestic production.	Production plus import.	Total consumption.		Domestic production.	Production plus import.	Total consumption.
1910.....	210	211	191	1916.....	301	322	318
1911.....	220	222	211	1917.....	335	365	378
1912.....	223	230	240	1918.....	356	394	413
1913.....	248	266	262	1919.....	378	431	418
1914.....	266	283	261	1920.....	443	549	531
1915.....	281	299	273				

CHART 8. DEFICIENCY IN PRODUCTION.

This chart shows the deficiency in the quantity of crude oil produced in the United States for years 1918 to 1921, inclusive, and indicates that under no circumstances should there be obstructions or barriers placed on the importation of oil into this country.

Year.	Millions of barrels.		
	Domestic consumption plus exports.	Domestic production.	Deficiency supplied by imports.
1918.....	413	356	57
1919.....	418	378	40
1920.....	531	443	88
1921.....	538	471	67

Figures for 1921 based on first five months.

CHART 9. PRODUCTION OF CRUDE OIL.

This chart shows the production of oil in the United States compared with the world's total production. It is seen that for the last 10 years the quantity produced in this country has increased, not only in volume but in total percentage of the world production. The greatest increase occurred in the last three years, when the increase in this country was from 66 to 70 per cent of the total world production. If this increase is continued, it will not be long before the intensified production in the United States will deplete the available supply, so that any restrictions on the importation of oil into this country will tend to deplete our oil reserves.

Year.	Millions of barrels.			Year.	Millions of barrels.		
	World production.	United States production.	Percentage of United States production to world.		World production.	United States production.	Percentage of United States production to world.
1910.....	328	210	64.0	1916.....	461	301	65.3
1911.....	344	220	64.0	1917.....	507	335	66.1
1912.....	352	223	63.4	1918.....	515	356	69.1
1913.....	383	248	64.8	1919.....	544	378	69.5
1914.....	404	266	65.8	1920.....	615	443	72.0
1915.....	428	281	65.6				

CHART 10. DAILY AVERAGE PRODUCTION OF CRUDE OIL IN THE UNITED STATES.

This chart shows that the production of crude oil has continued to increase even in the face of present temporary decreased demands. This is largely due to concentration of drilling effort in those fields which were liable to produce the largest results. This production will not continue throughout the next year owing to the cessation of this flushed production, and we may look for a reduction in the production for 1922, which will result in an increase in price and the necessity of importing oil to meet the requirements expected at that time.

Barrels.		Barrels.	
1920—January.....	1,090,000	1920—November.....	1,290,000
February.....	1,130,000	December.....	1,250,000
March.....	1,160,000	1921—January.....	1,220,000
April.....	1,190,000	February.....	1,260,000
May.....	1,180,000	March.....	1,320,000
June.....	1,230,000	April.....	1,340,000
July.....	1,230,000	May.....	1,360,000
August.....	1,260,000	June.....	1,350,000
September.....	1,250,000	July.....	1,300,000
October.....	1,280,000	August.....	1,320,000

CHART 11. NUMBER OF PRODUCING WELLS.

Chart 11 shows the number of producing wells completed each month for the years 1920 and 1921 up to September 1. The number of new wells completed has gradually reduced within the last year, due to the reduction in the price of crude oil caused by business depression. The conclusion to be drawn from these facts indicates that the production in the United States will not increase if the number of new wells completed is so rapidly decreasing.

1920—January.....	1,560	1920—November.....	2,000
February.....	1,490	December.....	1,880
March.....	1,790	1921—January.....	1,830
April.....	2,050	February.....	1,570
May.....	2,200	March.....	1,450
June.....	2,220	April.....	1,220
July.....	1,860	May.....	1,400
August.....	2,460	June.....	1,470
September.....	2,130	July.....	1,150
October.....	2,040	August.....	950

STATEMENT OF SAMUEL POWELL, PROVIDENCE, R. I., REPRESENTING NEW ENGLAND FUEL OIL USERS' COMMITTEE.

Mr. POWELL. Mr. Chairman and gentlemen, this is a protest against an import tax on crude and fuel oil by the New England Fuel Oil Users' Committee, representing over 280 firms, individuals, and associations using approximately 200,000,000 gallons of fuel oil annually.

We wish to enter most strenuous protest against the inclusion in your recommendation of an import tax on fuel oil. Our opposition is only the voice of manufacturers of every description, municipalities, public service companies, charitable, religious, and educational institutions, and many others too numerous to mention, located in New England.

We do not object to the principle of a protective tariff to foster American industries, but we do object to a so-called tariff which, in the last analysis, is but a license to the mid-continent oil producers to attempt to shut off oil from the Mexican fields, which in turn will give them an opportunity to raise the price of oil to every consumer in the United States.

To accomplish the result that the mid-continent oil producers desire, the Mexican crude and fuel oil supply need not be affected whatever. A tax will immediately give these producers an opportunity to raise the price of their oil to every consumer in the mid-continent fields as well as outside of this immediate district. The Atlantic seaboard States will not, however, be able to use the mid-continent oil, even if the oil were given away free f. o. b. the cars, whether it be in Oklahoma, Kansas, or any of these adjacent States.

This apparent condition is self-evident when you consider that the freight rate on oil from the mid-continent fields to the Atlantic seaboard approximates \$2.30 per barrel of 42 gallons. On the basis that 4 barrels of oil is equivalent to 1 ton of coal, it would cost Atlantic seaboard oil users in freight charges alone almost \$10 per ton on a comparative basis with our bituminous coal supply. If it is assumed that conditions will remain practically the same as to the total receipts of oil from the Mexican fields and the tax put on the imported oil, oil prices will immediately advance all over the country, and this in itself will be another reason for the coal producers to agitate for an increase in coal prices.

By reference to the reports of the Department of the Interior of the United States Geological Survey you will find that the production of petroleum in the United States does not equal the consumption, with the exception of one month, May, 1921. You can thus readily see that if the Mexican oil imports were curtailed, the result would produce a serious oil shortage in our country. A shortage of any commodity has its own answer, namely, increased cost. This increase to the manufacturer will be passed on to the consumer, and we will be building up a pyramid of increased prices which must of necessity be absorbed by the public at large in the retail prices of essential commodities.

The mid-continent producers would receive no direct benefit whatever from such an import tax, and the unfortunate part in the whole proposal is the fact that mid-continent fuel oil for use in boiler plants never has or never will be able to compete in competition with coal

along the Atlantic seaboard. With the curtailing of the imports of Mexican fuel oil our European and South American neighbors would make strong bids for this type of fuel, and if they are successful our eastern railway systems would be in a quandary, as they have not available at this time a sufficient number of coal cars to handle the coal that would be required. The substitution of coal for fuel oil in plants now using oil would involve the scrapping of millions of dollars' worth of expensive equipment for no other than a very selfish, sectional motive.

We strongly feel that this proposed tariff is unjust, unnecessary, and un-American, and we believe your committee should unreservedly oppose its introduction, since it is but a poorly veiled attempt to obtain congressional approval for an increase in the price of a natural raw commodity. On the contrary, everything possible should be done to preserve and augment the importation of fuel oil from other countries, whether it be from Mexico, India, or elsewhere.

Tear off the mask that now enshrouds this proposed tax and you see at once that the American consumers of mineral oils will have to contribute, if this tax is enacted into law, over \$138,000,000 annually to the oil producers. The greatest possible annual revenue that the Government can expect will approximate \$30,000,000 annually, which is equivalent to about one-fiftieth of the direct increase levied upon the ultimate users.

Unquestionably the oil resources in the United States will last for many years, but the productiveness of our own oil fields will not be able to keep up with our commercial demands. The oil supplies upon which we will have to depend in the near future are located in territory not now under our political control. We must, therefore, encourage the importation of mineral oils from other countries. An import tax will not encourage but rather drive to other markets never to return except at exorbitant prices these valuable oil products.

(The witness submitted to the committee the following list:)

PETROLEUM HEAT & POWER CO.'S PARTIAL LIST OF BUILDINGS IN WHICH THEY HAVE INSTALLED FUEL-OIL-BURNING EQUIPMENT AND TO WHICH THEY SUPPLY FUEL OIL.

BOSTON AND VICINITY.

Christian Science Publishing Society, Boston.	Employers' Liability Assurance Corporation, Boston.
Second Congregational Church, West Newton.	Warren Institute for Savings, Boston.
J. M. Longyear, Brookline.	Hemenway Chambers, Boston.
Elliott Addressing Machine Co., Cambridge.	Hotel-Bellevue, Boston.
Pneumatic Scale Corporation, Norfolk Downs.	Trinity Court, Boston.
Massachusetts Cremation Society, Boston.	Kidder, Peabody & Co., Boston.
Holtzer-Cabot Electric Co., Boston.	American House, Boston.
Hinckley Building, Boston.	Youth's Companion Building, Boston.
Francis J. Oakes, jr., Brookline.	Hotel Hamilton, Boston.
Boston Transcript, Boston.	Simpson's Dry Dock, East Boston.
Haddon Hall, Boston.	Winsor School, Boston.
Fenway Studios, Boston.	Technology Chambers, Boston.
Wesleyan Building, Boston.	Hotel Breamore, Boston.
Charles A. Newhall (seven apartment 'houses), Brookline.	Hotel Graylyn, Boston.
	Washington Court, Cambridge.
	Oliver Diston Co., Boston.
	Academy of Notre Dame, Fenway, Boston.

R. H. White Building, Boston.
 Slocum Trust Building, Boston.
 Brooks Hospital, Brookline.
 H. G. Lapham, Brookline.
 The Washington, Boston.
 Columbian Life Building, Boston.
 Saxony Worsted Mills, Newton.
 Free Hospital for Women, Brookline.
 Notre Dame Convent, Waltham.
 The Commonwealth Apartments, Boston.
 Westland Avenue Garage, Boston.
 Merry's Garage, Brookline.
 Packard Motor Car Co., Boston.
 Walker Webbing Co., Brockton.
 Apartment House, 101 Chestnut Street, Boston.
 Harvard University:
 Harvard Medical Power Plant, Boston.
 Harvard Union, Cambridge.
 Memorial Hall, Cambridge.
 Stillman Infirmary, Cambridge.
 Pierce Hall, Cambridge.
 Langdell Hall, Cambridge.
 Office building, 19 Purchase Street, Boston.
 Richardson Furniture Co., Boston.
 Western Electric Co., Boston.
 Page & Shaw Factory, Cambridge.
 L. P. Hollander Co., Boston.
 Symphony Hall, Boston.
 Eliot Street Garage, Boston.
 Bowker Insecticide Co., Everett.
 Arlington Building, 334 Boyleston Street, Boston.
 M. Ernest Moore Greenhouse, Arlington.
 Market Garden Field Station, Lexington.
 H. P. Hood & Sons, Inc., Cambridge.
 Noyes-Buick Co., Boston.
 Hotel Charlesgate, Boston.
 Peterboro Chambers, Boston.
 White-Smith Music Co., Boston.
 Garage, 860 Commonwealth Avenue, Boston.
 Baker Building, Boston.
 Hotel Somerset, Boston.
 Union Wool Warehouse, Boston.
 University Press, Cambridge.
 Fenway Garage, Boston.
 Factory, 86 Linden Park Street, Boston.
 Strand Theatre, Boston.
 White Motor Car Co., Boston.
 Brower Building, Boston.
 Wright & Potter Printing Co., Boston.
 Scollay Square Olympia Theatre, Boston.
 Boston Athletic Association, Boston.
 Estabrook Building, Boston.
 Pureoxia Co., Boston.

Total annual consumption of above, 450,000 barrels.

National Union Bank Building, Boston.
 Boston Hide & Leather Co., Boston.
 Apartment house, 1654 Massachusetts Avenue, Cambridge.
 Pilgrim Laundry, Boston.
 Atlantic Heat & Power Co., Boston.
 H. I. Hildreth Co., Boston.
 Babson's Statistical Corporation, Wellesley Hills, Mass.
 Thompson's Spa, Boston.
 J. L. Hammett Co., Cambridge.
 Liberty Yeast Corporation, Cambridge.
 Chauncy Real Estate Trust, Cambridge.
 Shepard Worsted Mills, Newton.
 Hotel Essex, Boston.
 Boston Arend.
 Deaconess Hospital.
 Transit Building.
 H. M. Sayer & Sons, Cambridge.
 Harvard Club, Boston.
 Crocker, Burbank Co., Fitchburg.
 Breakers Apartments, Lynn.
 Charlisham Real Estate Co., Cambridge.
 Everett Factories Corporation, Everett.
 Massachusetts Building, Boston.
 India Building, Boston.
 W. C. Gaunt Wool Warehouse, Boston.
 Pilgrim Building, Boston.
 Hotel Westminster, Boston.
 L. D. Towle, Newton.
 Library Bureau, Cambridge.
 Old Colony Trust Co., Boston.
 Hotel Canterbury, Boston.
 Jewelers Building, Boston.
 Young Men's Christian Association, Boston.
 Ginn Building, Boston.
 Colonial Building, Boston.
 Massachusetts Trust Building, Boston.
 Washington Street Olympia Theater, Boston.
 Central Square Theater, Cambridge.
 Lynn Olympia Theater, Lynn.
 Rendering Building, Boston.
 Burnett Vanilla Co., Boston.
 Prince Macaroni Co., Boston.
 State Street Block, Boston.
 Franklin Square House, Boston.
 Lynn Pumping Station, Lynn.
 United Drug Co., Boston.
 Liggets Candy Factory, Boston.
 Liggets Pure Food Factory, Boston.
 Massachusetts General Hospital, Boston.
 McKinley Building, Boston.
 John Hancock Life Insurance Co., Boston.
 Harris, Forbes & Co., Boston.
 Ben Luney Courts, Cambridge.

PROVIDENCE AND VICINITY.

Almy Water Tube Boiler Works, Providence.
 E. B. Merriman, Providence.
 Home Washing Co., Pawtucket.

Minden Apartments, Providence.
 Chas. H. Field, Providence.
 Mrs. F. D. Olney, Providence.
 Hopkins Hotel, Providence.

- Improved Seamless Wire Co., Providence.
 Francis Gillman, Pawtucket.
 Anchor Webbing Co., Pawtucket.
 John M. Dean Co., Providence.
 Shannock Narrow Fabric Co., Pawtucket.
 Congdon & Carpenter Co., Providence.
 Rhode Island Hospital, Providence.
 St. Anthony's School, Providence.
 Dutee W. Flint, Providence.
 Peoples Savings Bank, Providence.
 Comstock & Co., Pawtucket.
 Comstock & Co., Providence.
 Providence Public Market, Providence.
 Industrial Chemical Co., East Providence.
 Starkweather & Shepley Co., Providence.
 Jencks Paper Box, Providence.
 J. G. McIntosh & Sons, Providence.
 Geo. M. Baker Co., Providence.
 American Emery Wheel Works, Providence.
 St. Mary's School, Providence.
 Doctor's Apartments, Providence.
 Shubert-Majestic Theater, Providence.
 Turks Head Building, Providence.
 Eastern Process Co., Pawtucket.
 Grosvenor Building, Providence.
 Heese Manufacturing Co., Valley Falls, R. I.
 Mexican Petroleum Co., Providence.
 William Wood, Cuttyhunk, Mass.
 Brook Street Garage, Providence.
 Rhode Island Hospital Trust Co., Providence.
 Providence Public Library, Providence.
 Brown University, Providence.
 Bantam Ball Bearing Co., Bantam, Conn.
 Studley Building, Providence.
 Dorrance Building, Providence.
 A. F. Einrauch, Providence.
 Kingsley Building, Providence.
 St. Francis Xavier's Convent, Providence.
 Home for Aged Men and Aged Couples, Providence.
 Silverman Bros., Providence.
 Franklin Block, Providence.
 Palmer Block, Providence.
 Home for Aged Women, Providence.
 Abbott Street School, Pawtucket.
 Cottage Street School, Pawtucket.
 Smithfield Avenue School, Pawtucket.
 Potter School, Pawtucket.
 Grove Street School, Pawtucket.
 Pawtucket High School, Pawtucket.
 Prospect Street School, Pawtucket.
 Garden Street School, Pawtucket.
 South Woodlawn School, Pawtucket.
 Thurston Manufacturing Co., Providence.
 Lumb Knitting, Pawtucket.
 Enterprise Building, Providence.
 Potter & Johnson Co., Pawtucket.
 J. O. Draper Soap Works, Pawtucket.
 O. A. Jillson Co., Pawtucket.
 Baird North Co., Providence.
 Stevens & Co., Providence.
 J. W. McCormick, East Providence.
 E. F. Albee Theater, Providence.
 F. W. Taylor Building, Pawtucket.
 C. Moulton Stone, Providence.
 Smith Building, Providence.
 Smith Realty Building, Providence.
 Strand Theater, Providence.
 Pawtucket Institution for Savings, Pawtucket.
 Lederer Realty Co. (6 installations), Providence.
 F. C. Hoffman, Pawtucket.
 Service Warehouse (Inc.), Providence.
 Beaman & Smith Co., Providence.
 Providence Armory, Providence.
 Industrial Trust Building, Providence.
 H. J. Waterhouse, East Greenwich.
 Plymouth Congregational Church, Providence.
 Howard Building, Providence.
 J. W. Peck & Sons, Seekonk, Mass.
 Dyer St. Land, Providence.
 Rialto Theater, Providence.
 Maine Creamery, Providence.
 Emery Apartments, Providence.
 Hill & LaCross Co., Providence.
 Mount St. Mary's Convent, Fall River, Mass.
 St. Joseph's Hospital, Providence.
 St. Joseph's Church, Providence.
 Notre Dame School, Central Falls.
 Notre Dame Rectory, Central Falls.
 Bowen Building, Providence.
 Tilden & Thurber Corporation, Providence.
 J. E. Koppelman, Riverside, R. I.
 St. Peter's and St. Paul's Cathedral, Providence.
 St. Peter's and St. Paul's Rectory, Providence.
 Woodlawn Finishing Co., Pawtucket.
 Providence Braid, Pawtucket.
 Pawtucket Hosiery Co., Pawtucket.
 Conrad Building, Providence.
 A. W. Graham, Providence.
 United Lace & Braid Co., Auburn, R. I.
 J. C. Potter Garage, Providence.
 St. Maria's Home, Providence.
 St. Margaret's Home, Providence.
 Potter & Johnson Co., Pawtucket.
 Manufacturers' Building, Providence.
 St. Elizabeth's Home, Providence.
 Providence Lithograph Co., Providence.
 Cohen Bros., Providence.
 Hemphill Manufacturing Co., Pawtucket.
 Remington Realty Co., Providence.
 Remington Associates (Blake Building), Attleboro, Mass.
 Potter's Greenhouse, Providence.
 Vesta Underwear Co., Providence.
 National Exchange Bank, Providence.
 Rhode Island Cardboard Co., Pawtucket.
 General Fire Extinguisher Co., Providence.
 Ostby & Barton Co., Providence.
 The Ninigret Co., Pawtucket.
 St. Patrick's Church, Providence.
 Sacred Heart Church, Pawtucket.
 Sacred Heart Rectory, Pawtucket.
 Sacred Heart Convent, Pawtucket.
 Sacred Heart School, Pawtucket.
 Textilac Co., Pawtucket.
 Arbeka Webbing Co., Pawtucket.
 Cummings Laundry, Pawtucket.

Rumford Chemical Co., Providence.
 Elks' Home, Providence.
 Arnold Realty Building, Pawtucket.
 Troy Laundry, Pawtucket.
 Ervma Weaving Co., Pawtucket.
 Franklin Machine Co., Providence.
 Lebanon Mills, Pawtucket.
 Holy Trinity Church, Pawtucket.
 St. Ann's Rectory, Fall River, Mass.
 St. Ann's Church, Fall River, Mass.
 National Coated Paper Co., Pawtucket.
 Geo. H. Fuller & Sons Co., Pawtucket.
 Kendall Glycerine Co., Providence.
 Kendall Soapine Co., Providence.
 Easton & Burnham Co., Pawtucket.
 J. W. Little Co., Pawtucket.
 Hoppin-Holmstead Building.
 New England Butt Co., Providence.
 Dexter Yarn Co., Pawtucket.
 Providence City Hall, Providence.
 United States Gutta Percha Paint Co., Providence.
 Wilcox Building, Providence.
 O'Connor Apartments, Providence.
 Hotel Franklin, Providence.
 Colored Worsted Mills, Providence.
 Eureka Dyeing & Bleaching Co., Pawtucket.
 Providence City Hospital, Providence.
 Irons & Russell, Providence.
 Tillinghast Supply Co., Providence.
 Ada Building, Providence.
 Providence Dyeing, Bleaching & Callendering Co., Providence.
 Standard Mills of International Braid Co., Attleboro Falls.
 American Hand Laundry, Providence.
 S. O. Bigney Co., Attleboro.
 Davol Rubber Co., Providence.
 Paragon Worsted Co., Providence.
 Callender, McAuslan & Troup Co., Providence.
 Pawtucket Hosiery Co., Pawtucket.
 Labanon Mill Co., Pawtucket.
 The Apponaug Co., Apponaug.
 Lincoln Bleachery & Dye Works, Lonsdale.
 Lorraine Manufacturing Co., Pawtucket.
 Joseph Benn & Sons (Inc.), Greystone.
 D. Goff & Sons (Inc.), Pawtucket.
 Sayles Finishing Plants (Inc.), Saylesville.
 Jencke's Spinning Co., Pawtucket.
 International Braid Co., Providence.
 United States Finishing Co., Providence.
 Centerdale Worsted Mills, Centerdale.
 B. B. & R. Knight (Inc.), Providence.
 Universal Winding Co., Auburn.
 American Silk Spinning Co., Providence.
 Robert D. Mason Co., Pawtucket.
 Falls Yarn Mills, Woonsocket.
 Glencairn Manufacturing Co., Pawtucket.
 Narragansett Electric Lighting Co., Providence.
 Waypoyset Manufacturing Co., Pawtucket.

Total annual consumption, 300,000 barrels.

New Style Wet Wash Laundry, Providence.
 Makepeace Building, Attleboro.
 Berkander Building, Providence.
 F. Macrae & Sons, Providence.
 Goldmark Dyeing & Finishing Co., Woonsocket.
 F. E. Tappan Co., Attleboro.
 Allendale Plant of Centerdale Worsted, Allendale.
 Weir Stove Co., Pickle Plant, Taunton, Mass.
 Weir Stove Co., River Plant, Taunton, Mass.
 Lang & Hoffman Co., Pawtucket.
 Anchor Webbing Co., Woonsocket.
 White Lace Co., Riverport, R. I.
 Leach & Garner, Attleboro.
 Florence Dye Works, Woonsocket.
 Drummond's Laundry, Providence.
 J. J. Sommer Co., North Attleboro.
 F. M. Whiting Co., North Attleboro.
 Bates & Bacon Co., Attleboro.
 Gladdings Dry Goods Co., Providence.
 Woonsocket Falls Mills, Woonsocket.
 Glencairn Manufacturing Co., Pawtucket.
 Wayland Building, Providence.
 Braided Fabric Co., Providence.
 Daniels Building, Providence.
 Bronson Building, Attleboro.
 Glenbrook Worsted Mills, Woonsocket.
 Tubular Woven Fabric Co., Pawtucket.
 New Departure Co., Bristol, Conn.
 Langlier Manufacturing Co., Providence.
 F. I. Gorton Co., North Attleboro.
 F. W. Woolworth Co., Providence.
 Providence Biltmore Hotel, Providence.
 Leader Weaving Co., Central Falls.
 John Hope & Son.
 Eastern Processing Co., Pawtucket.
 Halliwell Co., Pawtucket.
 Esmond Mills, Esmond.
 J. & P. Coats (Inc.), Pawtucket.
 Phillips Wire Co., Phillipsdale.
 Blackstone Valley Gas & Electric Co., Pawtucket.
 American Electrical Works, Phillipsdale.
 Washburn Wire Works, Phillipsdale.
 Rumford Chemical Works, Providence.
 American Printing Co., Fall River.
 Ninigret Co., Pawtucket.
 Gorham Manufacturing Co., Elmwood.
 Rosenmont Dyeing Co., Woonsocket.
 City of Pawtucket, Pawtucket.
 Alsace Worsted Co., Woonsocket.
 French Worsted Co., Woonsocket.
 Butler Exchange Co., Providence.
 Mount Hope Finishing Co., North Dighton.
 Taunton Municipal Lighting Plant, Taunton.
 Whittenton Manufacturing Co., Taunton.
 Chandler Oil Cloth Co., Taunton.
 Petroleum Heat & Power Co. customers, Boston.

STATEMENT OF J. R. DRANEY, REPRESENTING THE ASPHALT ASSOCIATION, NEW YORK CITY.

Mr. DRANEY. I represent the road-building interests which would be affected by the proposed tariff on oil; that is, those producers who manufacture asphalt from Mexican petroleum and contractors who use it. Nearly 60 per cent of the asphalt used in the United States is derived from Mexican crude oil. It is an unalterable fact that Mexican crude oil is our chief dependence for an asphalt supply in the United States.

Asphalt is the principal form of pavement used in the various cities and municipalities of this country, and this coming year a greater yardage of the asphalt type will probably be laid on the country highways than in the cities themselves. We have ascertained that there will be upward of 68,000,000 square yards of asphalt pavement laid in cities and on country highways this coming year. Therefore, if 40,000,000 square yards of this work are laid with Mexican asphalt, a tax of about \$1,500,000 will be assessed on the American public for their asphalt pavement. The asphalt pavements are not the only pavements in which asphalt is used. It is also used as a filler and a grout in the laying of brick and granite block pavements, as well as making joints for concrete roads. Furthermore, there is a tremendous gallonage of liquid Mexican asphalt used for treating macadam, dirt, and gravel roads, which would add practically \$1,000,000 to the tax for good roads if the proposed duty on oil is made into a law. In other words, we estimate that if this duty becomes effective, the aggregate tax on road building will be \$2,500,000 a year for asphalt used from Mexico.

The cry from officials of State, city, and county has been "lower prices" for pavements. Putting a tax on pavements does not help the matter of lower costs. Last year Mexican asphalt in tank cars sold as low as \$12 per ton f. o. b. Baltimore. If the tax is added the cost will be \$14.50. The freight rate from Baltimore to Chicago is \$6.10 per ton on asphalt. Therefore, the cost to the consumer in Chicago would be \$20.70 per ton, and the tax would accordingly be about 12 per cent of the delivered price. The average tax at least will be 13 per cent on the delivered price. This, gentlemen, is a huge impost and will run as high as 15 per cent. To which I believe you will all agree.

The necessity for a continuation of our road-building policy needs no fulsome argument. It is conceded on every hand. Congress for the last six years has appropriated many millions of dollars for road building under the Federal highway system. The States are spending millions. Many counties are doing the same independently. Practically every city and town in this country is spending money on their roads and streets.

In the name of the road-building industry we ask that you gentlemen will not do anything which will impose additional burdens on this great cause.

I thank you.

STATEMENT OF JAMES L. ACKERSON, REPRESENTING THE ATLANTIC COAST SHIPBUILDING ASSOCIATION, PHILADELPHIA, PA.

Mr. ACKERSON. I represent the American Steamship Owners' Association and the Atlantic Coast Shipbuilders' Association. While I do not want to leave a brief, I would like to say a few words to cover one or two points that I think may be of interest.

Briefly, anything that adds to the cost of ship operating adds to the cost of shipbuilding, and whatever affects one affects the other. The shipping industry is already handicapped on account of high wages, large crews, and high capital charges. As offsetting that we have only two items. One is efficient management and the other is low fuel cost. Fuel cost is a very large proportion of the total cost of operating. Most of the fuel oil that is used in the operation of ships is imported. Very little of it, so far as I am aware, comes from the central fields. Any tax upon this fuel is a direct tax on the operation of ships.

As indicating the effect of this, there are some 1,700 vessels in the United States, owned in the United States, under the American flag, that are oil-burning. This represents 62 per cent of the total United States tonnage. Of the total fuel-oil-burning ships in the world it represents 75 per cent, which means that the entire burden is borne, or most of it, by the American operator.

This fleet burns 40,000,000 barrels of oil a year. A tax of 25 cents a barrel would be, roughly, \$10,000,000. With 800 ships operating, this means about \$12,000 per year per ship, or \$50 per day per ship. Taking the case of a standard 10,000-ton ship, the consumption of which is about 215 barrels a day, this tax would represent \$52, which is approximately the wages of 20 additional crew; and it can not be avoided.

In the same way it would represent a capital charge of about \$200,000 additional to a ship, which is about \$15 to \$20 per dead-weight ton.

In the case of a large liner it would mean for one trip across the Atlantic and back approximately \$10,000.

I think that is all I would like to present.

I thank you.

STATEMENT OF HERBERT ABRAHAM, REPRESENTING PREPARED ROOFING ASSOCIATION, NEW YORK, N. Y.

Mr. ABRAHAM. I appear on behalf of the prepared-roofing industry, manufacturers of asphalt roofings and shingles, with 48 factories distributed over the United States, from the Pacific to the Atlantic. The output of asphaltic roof coverings amounts to 70 per cent of all types of roofings used in this country. In 1920 sufficient asphalt roofings and shingles were sold to cover 2,837,500,000 square feet of roof surface. Figuring an average of 1,000 square feet to a structure, we roofed 2,837,500 buildings. Our 1921 output is estimated at 90 per cent of this figure.

Asphalt constitutes the most important raw material of the roofing industry, of which in 1920 it consumed 645,000 tons, or 45 per cent of the total asphalt used in this country. The asphalt most suitable for manufacturing roofings and shingles is derived from Mexican

petroleum, since, with the exception of that obtained in California, domestic petroleum is largely paraffinaceous, and therefore yields an inferior product for our purpose.

Mexican petroleum upon refining yields three commercial products, averaging 10 per cent gasoline, 40 per cent fuel and gas oils, and 50 per cent asphalt. A duty of 35 cents per barrel levied on the crude oil, when proportioned against the asphalt, would increase its cost \$3.48 per ton. In 1920 the roofing industry used 484,000 tons of Mexican petroleum asphalt, representing about three-fourths of the total Mexican asphalt refined. The roofing industry would, therefore, be burdened to the extent of \$1,685,000 per annum. This tax would have to be absorbed in the cost of our raw material and would obviously be multiplied several times before it reached the consumer.

The proposed duty on crude oil would, therefore, impose a tax on "mankind's second necessity," namely, shelter. It would tend to nullify pending public and governmental efforts to stimulate home building. A revival of the building program is of primary importance to reduce unemployment and to defeat the landlord in the race between high rentals and adequate housing for the Nation.

The prepared-roofing industry, therefore, unanimously files its protest against the imposition of a tax which it believes unsound, economically, from the standpoint of the public's as well as its own welfare.

I thank you.

**STATEMENT OF D. A. WELCH, NEW YORK CITY, REPRESENTING
THE COPPER PRODUCERS OF THE SOUTHWESTERN DISTRICT
OF THE UNITED STATES.**

Mr. WELCH. The copper producers of the southwestern district of the United States object to the proposed duty on fuel oil for two principal reasons—first, that an import duty on fuel oil would impose a heavy burden on the copper producers of the southwestern district at a time when the industry can not afford to be penalized with an enormous additional expense for the chief item of supply which is necessary to the existence of the southwestern copper industry; second, there is no apparent need for an import duty on fuel oil.

A few facts in support of these two reasons will follow:

The copper producers of the southwestern district of the United States produce normally 800,000,000 pounds of copper per year. They employ 33,000 men.

The population, directly and indirectly, dependent on this industry is estimated at 200,000, to which may be added an indirect local agricultural population of 50,000, engaged in furnishing foodstuffs to the men employed in producing copper.

The southwestern copper producers consume 4,500,000 barrels of fuel oil per year.

The proposed import duty of 25 cents per barrel on fuel oil would increase the cost of fuel oil to the copper producers of the Southwest \$1,125,000 per year.

The copper mines of the country, with few exceptions, are to-day closed and a large number of men are out of employment.

Copper is one of the principal items of export from this country, and in normal times 60 to 65 per cent of the copper produced in this country is exported. Copper is not protected by a duty.

Fuel oil is a necessity to the copper industry of the Southwest. Distances are great and freight rates high.

Coal is not now developed in sufficient quantity and suitable quality to meet the present demands of the copper producers.

In 1914 much oil for use in the southwestern district came from the California fields. Later, due to the diminished supply of California oil and the consequent increase in price, the southwestern copper producers were forced to find a new source of fuel-oil supply.

The mid-continent field did not offer an oil supply of sufficient quantity and at a figure which would permit the copper producers of the southwestern district to purchase from there.

The Southwest needs the Mexican fuel-oil supply, and even with the Mexican fuel-oil supply now has to pay 50 per cent more for fuel oil delivered than was paid in 1914 for fuel oil from California.

With the average of supplies costing 50 per cent more than in 1914, labor costs 50 per cent higher than in 1914, and with the selling price of copper about the same as in the year above mentioned, it is plain to see that the imposition of a duty on fuel oil, which would increase the cost thereof \$1,125,000 per year to the copper industry of the Southwest, is an item of great importance when that industry is now struggling for an existence and 33,000 men normally employed are now without work. Since the war European countries have encouraged building copper refineries.

Plants are now being built in England, France, and Spain to treat the product of the copper mines of Chile, Peru, Australia, and South Africa.

It has been found that oil produces a superior grade of copper than that which has been refined using coal as a fuel, and as a superior quality of copper is most important to the United States in maintaining its copper supremacy it is most important that fuel oil in the United States is not burdened with an import tax.

All of the copper produced by the southwestern companies is shipped to the Atlantic seaboard to be refined in this country before it is exported to Europe.

Many of the copper refineries on the Atlantic seaboard use fuel oil as a fuel in their refining process; also fuel oil is used by these companies for generating power.

The present price of mid-continent crude oil is \$2 to \$2.25 per barrel. Six months ago, when the oil producers requested an import duty on fuel oil, the price was about one-half of the present figure.

Mid-continent fuel oil is now quoted at 90 cents to \$1 per barrel, as against 40 to 45 cents six months ago.

The low price six months ago was due to the unprecedented business depression and was only a temporary condition. Such figures did not represent prices for firm contracts covering extended periods, but were in the nature of panic prices and can have no bearing in establishing figures which must be used in the normal conduct of business.

If there ever was a reason for an import duty on fuel oil it would seem to have long since passed.

The natural outlet for fuel oil from the mid-continent field is for the oil to move east and north in pipe lines, where profitable markets are to be found, and it seems reasonable to presume that, as conditions more nearly approach normal, mid-continent oil will again return to

the markets where it enjoyed highly profitable prices before the depression which occurred the latter part of 1920 and early 1921:

Considering the conditions stated, the copper producers of the Southwest wish to make a protest against any import duty on fuel oil.

Senator JONES. Do you speak for the Chino Copper Co.?

Mr. WELCH. Yes, sir; as many as could get together to make this protest. I represent the Inspiration Consolidated Copper Co., International Smelting Co., Greene Cananea Copper Co., Phelps Dodge Corporation, the Arizona Copper Co. (Ltd.), Old Dominion Co., Miami Copper Co., Ray Consolidated Copper Co., Chino Copper Co., Calumet & Arizona Mining Co., and New Cornelia Copper Co.

Senator WATSON. Do you want a tariff on copper?

Mr. WELCH. No, sir. That has not been suggested, even.

BRIEF OF D. A. WELCH, REPRESENTING THE INDEPENDENT COPPER PRODUCERS.

The copper mines of the Southwest produce under normal conditions about 400,000 tons of copper a year. Most of these mines are not producing and are practically closed down, because they can not make copper profitably or even sell it at any reasonable figure when it is made. Labor costs at the mines and smelters are higher than they were before the war. Freight rates have greatly increased above prewar rates, and the mines of the Southwest if running at capacity would have to pay over prewar rates many million dollars a year in excess freight. The costs of supplies are now much higher than what they were in 1914.

Any duty on fuel oil will be seriously felt by the copper mines. Practically all of the fuel oil which is essential to the production of copper in the Southwest now comes from Mexico. The freight rate alone on fuel oil at the present time far exceeds its total cost delivered in 1914. The unintelligent increase in freight rates has resulted in a higher proportionate increase per heat unit contained in coal rates than in oil rates; and, further, the available coal mines have not, we think, the capacity to furnish coal in sufficient quantity without opening up new mines if fuel oil were cut off from the Southwest; and, furthermore, the coal available is not well adapted to copper smelting, is practically prohibitive in price, and very heavy capital expenditures would be necessary in order to use it.

Primarily because we represent important copper mines in that district, we wish to protest against the imposition of an import duty on foreign petroleum, which is used exclusively by the mines we represent. We also protest because we believe such duty is against public policy, in that it would tend to hasten the exhaustion of our domestic supply of petroleum by cutting off foreign oils and thus increasing the demand for domestic oil. We also protest because copper, cotton, farm products generally, and all raw material will have to pay this tax at a time they can not afford to do it, because such tax tends to still further aggravate the difference between the value of exports from and imports into this country, and this depresses the prices that can be paid for such commodities exported. In our opinion, fuel oil is a necessity to the Arizona mines. Its cost at the present time is much higher than it was before the war, and a further increase in the price of this necessity tends to delay the time of starting up our mines and giving employment to thousands of men whom we have been obliged to lay off and who sadly need work. Finally, we are of the opinion that last summer's depression in the price of domestic petroleum was but temporary, as the price has nearly doubled since that time, and petroleum has been one of the first commodities that has responded to improvement in general conditions. In view of the importance of this suggested duty on oil to the copper-mining industry, we ask to be heard against its imposition.

MURIATE OF POTASH.

[Paragraph 1635.]

STATEMENT OF J. D. CAMERON BRADLEY, VICE PRESIDENT
AMERICAN AGRICULTURAL CHEMICAL CO.

Mr. BRADLEY. I wanted to speak about the potash question.

The CHAIRMAN. What is your business?

Mr. BRADLEY. Fertilizer manufacturer. I am vice president of the American Agricultural Chemical Co., sir.

The CHAIRMAN. Proceed.

Senator WATSON. To what particular section of the bill do you address your remarks?

Mr. BRADLEY. Fertilizer chemicals, sir.

I want to say that the industry has always been opposed to tariffs on raw materials for fertilizers, and they still are, and I want to protest against any tariff on potash, because in times like these, when the Government is being asked to aid the farmers, it does not seem right that a tariff should be placed on the raw material which goes into fertilizer and the farmers have to pay that tariff.

I have a brief here, and as you want to be as short as possible I would like to leave it with the committee.

The CHAIRMAN. All right; it will be printed.

Senator SIMMONS. I want to ask you some questions about the potash situation.

Where did we, prior to the war, get our supply of potash in this country?

Mr. BRADLEY. Some of it came from Utah, some came from Nebraska, and some came from southern California, I think. We did not get very much, though.

Senator SIMMONS. That was potash that was produced in this country?

Mr. BRADLEY. Yes, sir.

Senator SIMMONS. What per cent of the potash that was consumed before the war was produced in this country?

Mr. BRADLEY. Practically none.

Senator SIMMONS. What per cent of the potash that would be consumed in this country if agricultural conditions were normal is produced in this country?

Mr. BRADLEY. 1920?

Senator SIMMONS. Yes.

Mr. BRADLEY. Between one-fifth and one-sixth.

Senator SIMMONS. Is that potash of the same quality and is it equally desirable for crops that potash is used to stimulate as the German potash?

Mr. BRADLEY. Not in our opinion, on account of the boron that was found in some of the potash in southern California.

Senator SMOOT. There is no question but what there has been potash manufactured in Nebraska and Salt Lake that is just as good as the foreign product.

Senator SIMMONS. Just as good as the foreign product?

Senator SMOOT. Absolutely.

Senator SIMMONS. What per cent of the potash manufactured in this country is just as good as the foreign potash?

Mr. BRADLEY. Practically all, it is claimed.

Senator SIMMONS. One-ninth or one-tenth of the potash manufactured in this country is as good as the German potash. The balance is not?

Mr. BRADLEY. But the Americans have not made as high a grade of potash, which is what is desired.

Senator SIMMONS. I want to call your attention to conditions that existed in my State, North Carolina, during the war. I think it was the first year after we had cut off our German supply and begun to use American substitutes for potash. In several counties of the State large quantities of potash were sold to put under cotton, and after that cotton came up and grew to a couple of inches in height, it began to die, and they had to plough it up. Suits were brought by farmers in those sections against the venders of these substitutes for potash. In one instance I heard of a man worth several million dollars who was a dealer in these potashes and was about to be ruined. I do not know what became of those suits. I think they were compromised at a great loss.

Is there much of that kind of potash put on the market?

Mr. BRADLEY. Not to-day.

Senator SIMMONS. That has been eliminated?

Mr. BRADLEY. It is so claimed.

Senator SIMMONS. But you think that something like 8 or 9 per cent of the potash produced in this country is very inferior to the German potash?

Mr. BRADLEY. No; I did not say that, sir.

Senator SIMMONS. I understood you to say that. What percentage did you say?

Mr. BRADLEY. It was inferior?

Senator SIMMONS. No; I say that is produced now.

Mr. BRADLEY. I say that one-tenth of what is used in this country is good American potash.

Senator SIMMONS. One-tenth of the potash produced in this country is good?

Mr. BRADLEY. Yes, sir.

Senator SIMMONS. The other nine-tenths is not good. Is that what you say?

Mr. BRADLEY. No; I mean what is good potash used and manufactured in the United States is one-tenth of what comes in from Germany.

Senator SIMMONS. One-tenth of that quantity?

Mr. BRADLEY. Yes, sir.

Senator SIMMONS. But what I asked you was this: What percentage of the potash that is now produced in the United States is of equal quality and value for farming purposes as the German potash?

Mr. BRADLEY. It is claimed that all of it is to-day.

Senator SIMMONS. You think all that is produced to-day is equally as good as the German product?

Mr. BRADLEY. I do not know. The claim is made that it is.

Senator SIMMONS. You think about 10 per cent of our normal supply is produced here?

Mr. BRADLEY. Yes; maybe 12 per cent was produced in 1918-1920, but not to-day.

Senator SIMMONS. What would be the increase in the price of potash in this country as the result of the tax proposed?

Mr. BRADLEY. It would be 50 cents a unit.

Senator SIMMONS. What would that be a ton?

Mr. BRADLEY. Pure K_2O would be \$50 a ton.

Senator SIMMONS. What did German potash sell for before the war?

Mr. BRADLEY. Muriate of potash, which was one of the high grades we got, was \$32.50, or about 60 to 62½ cents a unit.

Senator SIMMONS. \$32 a ton?

Mr. BRADLEY. Yes, sir.

Senator SIMMONS. The German potash sold, then, before the war, at \$32 a ton?

Mr. BRADLEY. Yes, sir; laid down at seaboard ports.

Senator SIMMONS. This bill proposes to put a duty on that of practically \$50?

Mr. BRADLEY. Yes, sir; on pure K_2O , but \$25 on muriate of potash which runs about 50 per cent pure K_2O .

Senator SIMMONS. That would run the price up to \$57 as against \$32 before the war?

Mr. BRADLEY. Yes, sir. To-day we are paying \$42.50 for muriate of potash. It would run it up to \$67.50 per ton.

Senator SIMMONS. I just wanted to get the facts. They are so startling that I thought they ought to be developed.

Senator McLEAN. How much do you charge for potash?

Mr. BRADLEY. We buy it for 85 cents a unit, and it is sold in our goods at \$1 a unit.

Senator SIMMONS. Under this tariff the farmer would have to pay considerably more than twice as much?

Mr. BRADLEY. For the potash content of his fertilizer he will have to pay more than 50 per cent increase.

Senator SIMMONS. What is it used for?

Mr. BRADLEY. Potatoes, onions, cotton, tobacco; used on grain by some farmers, and hay—practically every crop.

Senator SIMMONS. And cotton and tobacco especially can not be successfully grown without potash?

Mr. BRADLEY. Nor potatoes, either.

Senator SIMMONS. For a few years in the South, or a year or two, we may stop the use of potash and the potash in the soil would practically take care of the crops, and then at the end of that time we can not produce those crops successfully at all without potash?

Mr. BRADLEY. Not in comparison with what you had before.

Senator SMOOT. In a ton of fertilizer how much potash is there?

Mr. BRADLEY. It depends. The average is about 60 pounds of pure potash to a ton. It may be sometimes less. It depends on what your farmer buys. In the potato section of Maine it is more.

Senator SMOOT. There are only 60 pounds of potash in a ton of fertilizer?

Mr. BRADLEY. Yes, sir; that is, taking the average.

Senator SMOOT. That would make it cost about 75 cents more per ton of fertilizer if you use American potash as against the German potash. Fertilizer would cost about 75 cents a ton more?

Mr. BRADLEY. Fifty cents a unit, which would be \$1.50.

Senator SMOOT. You say that is the difference in the unit; but I do not think there is that difference.

Senator McLEAN. What is a unit?

Mr. BRADLEY. Twenty pounds. The ton is 2,000 pounds; so a unit is 20 pounds.

Senator SIMMONS. But you can not use pure potash on plants. It has to be in combination?

Mr. BRADLEY. Yes.

Senator WATSON. What per cent of all the potash used in the United States is produced in the United States?

Mr. BRADLEY. In 1920 about one-sixth.

Senator WATSON. Of all that was used in the United States, produced in the United States.

Mr. BRADLEY. Yes, sir.

Senator WATSON. Can we produce all that we need in the United States?

Mr. BRADLEY. No; I do not think so—not at the price.

Senator WATSON. I mean at any price is it possible to produce it?

Mr. BRADLEY. Yes; it can be done.

Senator WATSON. If the home market were properly stimulated you could produce your entire quantity to supply the home demand in the United States?

Mr. BRADLEY. It might be done, if the cost was not prohibitive.

Senator SMOOT. I should say to the Senator from Indiana that every potash plant we have in our State is closed up.

Senator WATSON. You are an importer, are you?

Mr. BRADLEY. Yes, sir.

Senator WATSON. Are you a manufacturer also?

Mr. BRADLEY. We manufacture it into fertilizer only. We do not own any mines in America or abroad.

Senator WATSON. What is the difference between the existing law and what is proposed here, so far as the tariff is concerned?

Mr. BRADLEY. Potash is on the free list. It always has been, I think.

Senator WATSON (reading):

Potash: Bicarbonate of, refined, and chlorate of, one-half cent per pound; chromate and bichromate of, 1 cent per pound; nitrate of, or saltpeter, refined, \$7 per ton; permanganate of, 1 cent per pound; prussiate of, red, 2 cents per pound; yellow, 1½ cents per pound.

Does that have anything to do with the kind of potash which you use?

Mr. BRADLEY. No, sir.

Senator WATSON. What kind of potash is that?

Mr. BRADLEY. That is for drugs and chemicals.

Senator WATSON. So that you use none of that for fertilizer purposes. Then, what you are interested in comes under paragraph 580 of the existing law—

Potash: Crude, of "black salts"; carbonate of; cyanide of; sulphate of; hydrate of, when not containing more than 15 per cent of caustic soda; nitrate of, or saltpeter crude; and muriate of.

Mr. BRADLEY. Yes, sir.

Senator WATSON. Those are the salts of potash in which you are interested?

Mr. BRADLEY. Yes, sir. They go into fertilizer.

Senator WATSON. What per cent. of those that are used in the United States are now made in the United States?

Mr. BRADLEY. About one-sixth, is it not?

Senator SMOOT. More than that. It is between one-fourth and one-sixth.

Senator SIMMONS. It seems to me not profitable to mix up this question with any chemical question.

Senator WATSON. No. What I am trying to get at is this: Can we, by applying the old-time doctrine of protection, by sufficiently protecting this industry, finally supply the entire home market demand in the United States?

Senator SIMMONS. At the cost of several billions of dollars in the next few years.

Mr. BRADLEY. We bought potash last year from Nebraska, but the producers went into the hands of a receiver. We were paying \$2.125 a unit.

Senator SMOOT. During war times?

Mr. BRADLEY. That was after the war.

Senator SIMMONS. I am a farmer. I buy potash extensively, and I know something about it. I buy it in the form that you fertilizer people sell it. You get it from Germany, but we get it in the form that you prepare it in your factories for fertilizer. It does not concern me how much of one element and how much of another element is in a ton of that material, just so it is the standard amount. The question to me is how much do I have to pay now, under the present law, for this German potash, if that is what I am going to use on my crops, and how much would I have to pay for the same quantity of this fertilizer if this tariff is put on it? That is the question which concerns me. The chemical content does not affect me at all.

Mr. BRADLEY. You would pay \$1.50 more, 50 cents a unit more for your fertilizer for the 3 per cent potash grades.

Senator SIMMONS. That would amount to \$67 at the present prices in this country as against \$42?

Senator SMOOT. That is on a ton of fertilizer. He says if it were 3 per cent it would be \$1.50 a ton. There is very little fertilizer that carries 3 per cent of potash, sold in the United States—very little of it indeed. In fact, some lands can not use it because it would destroy the crops.

Senator SIMMONS. There is a standard quality sold in this country for fertilizer, and the question is how much I have got to pay more on account of this tariff for that particular fertilizer. You say it is \$50 a ton. That is the way we buy it. We buy it by the ton.

Senator SMOOT. Do you buy potash?

Senator SIMMONS. We buy it mixed with other things.

Mr. BRADLEY. Yes; with other chemicals.

Senator McLEAN. It is an important inquiry, it seems to me.

Senator SIMMONS. Of course it is. I buy now 4-8-4 for cotton. The last 4 represents potash, and the 8 represents phosphate.

Mr. BRADLEY. Phosphoric acid, and then the other is ammonia and the other is your potash. It is 50 cents a unit or \$2 extra. That is what the tax would be on that ton that you buy. I did not know you bought such high-grade goods, sir.

Senator SMOOT. I do not know where he gets them.

Mr. BRADLEY. In Maine they use 7 per cent potash on their potatoes.

Senator SIMMONS. If I buy enough fertilizer, if the fertilizer that I buy contains a ton of muriate of potash—all the fertilizer I buy contains that—I have to pay \$50 a ton for that more than I otherwise would have to pay?

Mr. BRADLEY. If it is pure potash.

Senator SIMMONS. For instance, I buy 100 tons. Sometimes I buy 200 tons, but I buy 100 tons of fertilizer that contains 4 per cent potash.

Mr. BRADLEY. It contains 8,000 pounds of potash.

Senator SIMMONS. I buy 250 tons. How much would that contain?

Mr. BRADLEY. Twenty thousand pounds of potash, I think. You will have to excuse me if I make an error. It is 10 tons. You would have to pay \$500.

Senator McLEAN. You pay more than that if you live in New England.

Senator WATSON. He would have to pay more.

Senator McLEAN. There is a wide spread in the price of fertilizers; that is, for the 3, 4, and 5 per cent potash and the fertilizers that contain it.

Senator SIMMONS. I was just taking my own experience on the farms in which I am interested.

Senator McLEAN. What I want to have the witness tell me is this—

Senator SIMMONS. I understand it would cost me about \$500 more than it otherwise would.

Senator McLEAN. I bought two months ago quite a quantity of fertilizer. I wanted some potash. I think it was 5 per cent.

Mr. BRADLEY. Five per cent potash?

Senator McLEAN. I think I paid \$70 a ton.

Senator SIMMONS. For the fertilizer?

Senator McLEAN. For the mixture.

Senator SIMMONS. That was last year?

Senator McLEAN. This year, six weeks ago.

Senator SIMMONS. I do not know about this year, but last year we paid over \$70 a ton.

Senator McLEAN. You paid \$80, \$85, and \$90. This witness is a wholesaler. I would like to know what his prices would be for standard fertilizers containing about 4 to 5 per cent potash.

Mr. BRADLEY. It depends on the amount of ammonia and it depends on the amount of phosphoric acid.

Senator McLEAN. I know; but you have different varieties. I wish you would give the committee an idea of those varieties of fertilizer that you sell and what your price is.

Senator SMOOT. He can tell you what it cost him, which would be very illuminating.

Senator McLEAN. I want to know how much profit there is between him and the man that I buy it from.

Senator SMOOT. You can not do that unless he tells you what it cost him.

Senator McLEAN. He can tell the committee what he sells his goods for.

The CHAIRMAN. Let the witness answer.

Mr. BRADLEY. I am not familiar with all prices, but in New England 4-8-4 was sold for \$63 delivered. I think it was shipped any time from January and the due date is December 1, with 5 per cent discount if cash is paid July 1.

Senator McLEAN. \$63 for what?

Mr. BRADLEY. 4-8-4 fertilizer.

Senator McLEAN. What does that mean?

Mr. BRADLEY. Four per cent ammonia, 8 per cent phosphoric acid, 4 per cent potash.

Senator WATSON. \$60 a ton?

Mr. BRADLEY. \$63, payment December 1, extending a 10-months' credit.

Senator McLEAN. These other ingredients are quite as expensive as the potash?

Mr. BRADLEY. Ammonia was more so last year.

Senator SIMMONS. This duty would add how much to that class of goods—4-8-4?

Mr. BRADLEY. \$2, sir.

Senator SMOOT. Will you tell me what you pay for ammonia?

Mr. BRADLEY. To-day?

Senator SMOOT. Yes, to-day.

Mr. BRADLEY. I can not give you the market prices.

Senator SMOOT. That is funny, isn't it? Can you give me what the phosphate is?

Mr. BRADLEY. No, sir; I can not give you the exact price. I think nitrate of soda is selling about \$44. I am not in the purchasing end.

Senator SMOOT. You do not know what ammonia is selling for?

Mr. BRADLEY. No, sir.

Senator SMOOT. What I want to know is this: I want to find out what it is costing you—

Mr. BRADLEY. If we had to buy the raw materials to-day?

Senator SMOOT. Yes.

Mr. BRADLEY. About \$44 for nitrate of soda.

Senator SMOOT. What is ammonia?

Mr. BRADLEY. That runs a little over 19 per cent nitrogen equal to ammonia.

Senator SMOOT. I mean the cost of your ammonia?

Mr. BRADLEY. The unit?

Senator SMOOT. Yes.

Mr. BRADLEY. \$2.25 to \$2.50 a unit, f. o. b. or seaboard, sir.

Senator SMOOT. The percentage of ammonia you say is 4 per cent?

Mr. BRADLEY. Yes, sir.

Senator SMOOT. Phosphate is how much?

Mr. BRADLEY. The phosphoric acid, 8 per cent. That is around 75 cents a unit.

Senator SMOOT. And 4 per cent of potash?

Mr. BRADLEY. At about \$1 a unit.

Senator SMOOT. That is 16 per cent. Now, what is the other 84 per cent?

Mr. BRADLEY. The other per cent is inert carrying materials; in nitrate of soda, for example, only 19 per cent is nitrogen equal to ammonia. The rest of it—

Senator SMOOT. There is 84 per cent that I want to know about. What will that 84 per cent cost you per ton?

Mr. BRADLEY. Theoretically it does not cost us anything. For example, 4-8-4 fertilizer made as follows: 550 pounds ammoniates averaging 15 per cent ammonia, 1,050 pounds 16 per cent acid phosphate, and 400 pounds potash salt averaging 20 per cent, gives 16 per cent plant food and 84 per cent inert carrying material. We actually pay for the 16 per cent of plant food, but in buying this we have to take the 84 per cent of material which carries this plant food.

Senator SMOOT. That is what I thought. That is what I want to get at.

Mr. BRADLEY. We buy materials on the unit basis of the goods.

Senator SMOOT. What would it cost you for the work to make that ton; I mean the labor cost?

Mr. BRADLEY. The labor cost, the selling cost, and overhead would be in the vicinity of \$10.

Senator SMOOT. \$10?

Mr. BRADLEY. Yes.

Senator SMOOT. That includes profits?

Mr. BRADLEY. No, sir.

Senator SMOOT. What are the profits?

Mr. BRADLEY. About 15 per cent.

Senator SMOOT. Fifteen per cent, did you say?

Mr. BRADLEY. Yes.

Senator SMOOT. Mr. Chairman, I can figure what it is going to cost now.

The CHAIRMAN. Very well; proceed.

Mr. BRADLEY. Those prices are to-day's market prices, not last year's.

Senator SMOOT. Yes; and this bill is for to-day and not for next year.

The CHAIRMAN. Mr. Bradley, have you any further statement to make?

Mr. BRADLEY. No, sir.

Senator SIMMONS. I would like to know what sections of the country you particularly supply with fertilizer.

Mr. BRADLEY. East of the Mississippi.

Senator SIMMONS. The cotton belt?

Mr. BRADLEY. Yes.

Senator SIMMONS. They do not use so much in Mississippi and Louisiana. But you do sell in the cotton States?

Mr. BRADLEY. Yes.

Senator SIMMONS. Do you sell in the tobacco-growing States?

Mr. BRADLEY. Yes.

Senator SIMMONS. Is it your opinion that farmers have curtailed very materially the use of fertilizers because of the high price of that commodity?

Mr. BRADLEY. Somewhat; but also because they did not have the money to buy the fertilizer with.

Senator WATSON. It is absolutely on the free list now, so that the tariff has nothing to do with the price.

Mr. BRADLEY. Nothing.

Senator WATSON. But if a foreigner has a monopoly he can put the price up to suit himself. Is there not enough competition to-day?

Mr. BRADLEY. There is competition since Alsace has been returned to France.

The CHAIRMAN. Do I understand that before the war Germany had a monopoly?

Mr. BRADLEY. Yes, sir.

The CHAIRMAN. And there was an argument, so far as potash was concerned, in favor of breaking down that monopoly and putting in competition, if possible?

Mr. BRADLEY. Yes.

Senator SIMMONS. When Germany had a monopoly on potash and could fix the price she only charged \$32 in this country?

Mr. BRADLEY. Yes; but even at that she was making a great big profit—over \$10 a ton.

Senator SIMMONS. In order to get a monopoly in this country we may have to pay \$50 or \$60 a ton.

Mr. BRADLEY. More than that.

Senator WATSON. Does France sell any cheaper than Germany?

Mr. BRADLEY. Just about the same to-day. I think France has been underbidding Germany. They did last year.

The CHAIRMAN. Where does France get her supply.

Mr. BRADLEY. From Alsace.

Senator SIMMONS. And just where do we get ours? Do we manufacture?

Mr. BRADLEY. We get some from deposits and manufacture some. There is alunite in Utah and there are salt beds in the Nebraska lakes. There are the Great Salt Lake deposits of the Salduro Co.

Senator SMOOT. And the Niblo Co.

Mr. BRADLEY. Yes; and there are deposits in Searles Lake in southern California.

BRIEF OF J. D. CAMERON BRADLEY, VICE PRESIDENT OF THE AMERICAN AGRICULTURAL CHEMICAL CO.

The American Agricultural Chemical Co. is opposed to any duty being levied on potash imported into this country for use as a fertilizer for the following reasons:

Such a duty would fall ultimately upon the farmers, whose condition is such that no further burden should be placed on them for the benefit of any industry, especially when that industry is one that has never demonstrated its ability to compete successfully with foreign products.

The United States imports of German potash for the year 1913 were 240,000 tons of actual potash, K_2O . About 85 per cent of this potash was used exclusively for fertilizer purposes. Before the war the cost of production of German muriate of potash (50 per cent K_2O , or actual potash) was about \$8 per ton in bags at the mine. The then cost of delivery to United States Atlantic ports was about \$5 per ton, making the actual cost of muriate of potash delivered on the Atlantic seaboard about \$13 per ton.

In 1909 I made a large contract for muriate of potash with German mines for \$20 per ton, delivered on the Atlantic seaboard. This contract, however, was never carried out for the reason that the German Government, nine months afterwards, passed a law which invalidated the contract, notwithstanding an emphatic protest of the United States Government. This contract would have netted the German mines a handsome profit, and had not the potash syndicate been immediately reformed, an open market would have ensued and prices would have surely gone far below those named in my contract.

In consequence of this action on the part of the German Government this contract was canceled in 1911 and a new contract was entered into at a price of \$32.40 a ton for muriate of potash delivered on the Atlantic seaboard. This price prevailed until the entry of the United States into the war. The present German and French price for

muriate of potash is 85 cents per unit of K_2O , equivalent to \$42.50 per ton. Their price for 20 per cent potash salts is 70 cents per unit of K_2O .

In 1909 there were less than 70 German potash mines in operation. There are now about 290 German mines and about 15 more in Alsace. German experts have estimated that 30 of the larger mines could, operated to capacity, supply the entire potash demand of the world, and I believe this to be true.

Potash has also been discovered in Spain in large quantities and of a grade equal, if not superior, to the German product.

As to American potash, the greatest amount produced in any year was 54,803 tons of actual potash K_2O , in 1918. In 1919, 32,418 tons K_2O were produced, and in 1920, 48,684 tons K_2O . The lowest price at which this company ever bought American potash was 2.125 per unit of K_2O for 20 per cent grade. The principal company with whom it dealt went into the hands of a receiver in 1920 in consequence of the decline in prices. During the war German muriate of potash sold as high as \$500 per ton, as against the prewar price of \$32.40.

I do not believe that this country can successfully compete with German or French potash unless actual deposits of potash salts are discovered. The potash produced from the Nebraska Lakes is low grade and inferior in quality to the German article either for direct application or for use in mixed fertilizers. The California product contains a certain amount of borax, which is deleterious to plant life, and this company is unwilling to risk its use. Other companies who have used it have suffered heavy losses in consequence of the borax injuring the crops. It is now claimed that the amount of borax has been reduced to a safe percentage, but of this fact we are not as yet sufficiently convinced to risk using it in our fertilizers.

I can not believe that Congress will consent to levy a tax upon the products of the soil and indirectly upon the very sustenance of every citizen.

STATEMENT OF S. D. CRENSHAW, RICHMOND, VA., REPRESENTING THE NATIONAL FERTILIZER ASSOCIATION.

Mr. CRENSHAW. I am vice president of the Virginia-Carolina Chemical Co., but am appearing before you gentlemen to-day, Mr. Chairman, at the request and as the representative of the National Fertilizer Association on the proposed potash tariff.

While I am here representing the National Fertilizer Association, to protest against the proposed tariff on potash, in doing this I feel that I am really acting even more in the interest of the farmers of this country, because the additional cost of potash, if a tariff be put on it, will, of course, have to be passed on to the consumers, who are nearly all farmers and who are already complaining of inadequate returns from their crops compared with the cost of producing them, and fertilizer manufacturers are in no condition to absorb any costs of fertilizers.

While a tariff of 50 cents per unit—and I would like to clarify that, because that expression, "per unit," is frequently used. The "per unit" of potash is based on the potash content of whatever special grade of potash is involved. I think the highest grade that comes to this country in any quantity is known as muriate of potash. It contains 50 per cent of actual potash. So that the proposed tariff of 50 cents per unit the first two years would be \$25 per ton, not speaking of per unit. I thought I would pause in advance to make that clear.

While a tariff of 50 cents per unit does not sound large, on the other hand, it is equivalent to \$50 additional cost per ton of pure potash and about 80 per cent of present costs; and representatives of American producers have told me they estimate it will increase the cost \$54,000,000 during the five years of the proposed tariff, though I do not estimate it at so large a figure—a pretty big bill for the farmers to pay—and let no one think that this big farmer bill would be confined to any special section, for 34 States are large consumers of fertilizer

and over 40 per cent of the consumption is in 19 Northern States, like New York, Pennsylvania, New Jersey, Maine, Ohio, Indiana, Michigan, and others. I believe that a tariff on potash would prove most unpopular and difficult to defend in any agricultural State.

About six weeks ago representatives of the American potash producers met me and several other fertilizer manufacturers in regard to selling some American potash to us. In the course of the conversation I asked them whether there would be a tariff on potash, to which they replied that they felt assured of it and asked my position in the matter. I replied that I was, on principle, opposed to a tariff on potash that would have to be passed on to the farmer consumers, but that my feelings might be modified if American producers could demonstrate that the proposed tariff for a period of five years would enable the American producers by that time to supply the American requirements at competitive prices, and they stated that they would furnish us figures which they thought would show such to be the case, but up to this time I have not heard further from them with any information or data bearing on the subject.

At this same meeting the American producers estimated that there was the equivalent of only 10,500 tons of American K_2O in this country, and on being asked whether they desired to sell it at the same price as foreign potash, all except the representative of the Nebraska Lakes (who said that they would not sell at present prices) stated that they would like to take it under consideration and let us hear further from them. Later on the Trona Corporation advised that they would like to sell 4,000 tons of K_2O , but this was only after both German and French contracts had been executed. This offering was put before practically all of the fertilizer manufacturers, but no one was willing to buy more than their existing contracts, because of the uncertainties of present business conditions.

Returning again to the possibility of an American production sufficient to take care of American normal requirements at competitive prices, is it reasonable to believe that American producers will be able to supply normal American requirements, equivalent to about 240,000 to 250,000 tons of pure potash per annum, even at about \$1.10 per unit, which is the approximate present price plus the proposed tariff, when they were only able to produce during the war years (according to the United States Geologic Survey Reports) as follows:

	Tons.
1915-16.....	10,810
1917.....	32,573
1918.....	54,804
1919.....	32,474
1920.....	48,077

A maximum of about 54,000 tons under the spur and stimulus of a price of \$4 to \$4.50 per unit, say seven times the prewar prices and present prices—how much less probable with free potash at the end of five years at a price of about 60 cents per unit. The fact of the case is that the freight from American producing to consuming points averages approximately 50 cents per unit.

The character of attacks on fertilizer manufacturers on the charge of conducting propaganda against the proposed tariff are brutal and unwarranted. For example, the article in the Manufacturers Record

of Baltimore, under the caption, "Are all fertilizer people in America cowards?" should never have been published by such an eminently reputable paper without first determining whether the basis for the article was a fact or not, and certainly they could have written to several fertilizer manufacturers to determine this. As far as my own company is concerned, N. W. Ayer & Son did not at all represent us, and the same condition exists as to all others whom I have happened to ask about it, and I do not even know whom they do represent. Although the fertilizer industry has not conducted a propaganda against the tariff on potash, preferring simply to submit the facts in the case to your honorable committee at the proper time, I see no reason why they should not have done so if they had thought proper. In any event, it comes as striking audacity for the producers' association to make any criticism, in view of their having so long maintained a bureau and magazine in Washington for conducting propaganda in favor of this tariff to an extent rarely exceeded.

Let no one be deceived into thinking that the American production of potash during the war was entirely from patriotic motives, because our experience was that we were made to pay every cent per unit that they could squeeze while they had a monopoly. In May, 1920, we were approached by representatives of certain American producers, who stated that they had on hand about 50,000 tons of potash salts, equivalent to about 12,500 tons of pure potash, and that unless they could sell same on basis of about \$2.50 per unit, delivered at consuming points, a number of the companies would have to go into receivership. They further stated that they had developed processes in research laboratories which demonstrated that by making certain changes and by saving of by-products they would, within a year, be able to compete with foreign potash. I personally got together a group of buyers who bought this potash from them, but now, 19 months later, they appear to be no better able to compete than at that time, as they are asking for five years of tariff protection.

There are also many practical reasons that militate against American potash. For example, no producer in America can furnish kainit, which is the form of potash salt that is most largely used by the American farmers in an unmixed form. Again, the muriate of potash produced from the largest American source—Searles Lake—still bears the prejudice of the consumer and the fear of the fertilizer manufacturer as to the use of it, because of experiences with it in the past, when they produced a muriate of potash so high in borax as to injure crops and cause innumerable damage suits that cost many fertilizer manufacturers immense sums. While I believe that the Trona Co. have so improved their methods as to overcome this objection, there still exists so much prejudice in the minds of many farmer consumers as to cause the manufacturers to still fear to use it, lest it may again involve them in damage suits.

The product of the Nebraska lakes is good for its grade, except for the fact of its being so alkaline as to practically prevent the use of certain important ammoniates in manufacturing complete mixed goods, because it causes loss of ammonia.

Boiled down, the essence of the facts is:

(1) In spite of five years of war, which gave the American producers a monopoly, and which they exercised to arbitrarily charge the highest prices obtainable, even to the extent of six or seven times

the prewar and present prices of potash—say, approximately \$4.50 per unit—they were never able to produce the equivalent of over 54,000 tons of pure potash in any one year. Therefore, I repeat there is no reason to expect that they can produce the normal American requirements at present prices even plus proposed tariff, say, about \$1.10 per unit, when they could not produce more than about 25 per cent of the normal American requirements with prices practically four times as high.

(2) Should the farmers of this country be taxed a sum estimated by American producers at approximately \$54,000,000 in the effort to nurture a war-time business baby to self-supporting manhood, when it looks hopeless to successfully accomplish this?

(3) Much propaganda has been published to the effect that the present price of German potash is due to the low value of the German mark, but the fact is that many years ago, when the German mark was normal, we made a contract for German potash at about 30 per cent lower than the present prices.

(4) In May, 1920, some fertilizer manufacturers bought the equivalent of about 12,500 tons of pure potash from certain American producers at what they claimed to be cost prices, because they stated that bankruptcy would otherwise result to many of them, and, furthermore, that they had worked out in research laboratory new methods to reduce their costs and save by-products that made it certain they would be able to meet foreign competition as to price. Now, 19 months later, instead of having fulfilled their prophecies, they ask for tariff protection for five years at the expense of the farmer.

(5) The use of potash is not confined to farmers who grow any single crop or to any special section of our country. The interest is identical with growers of potatoes in Florida, the Carolinas, Virginia, New York, Maine, Michigan, etc. The same is true of producers of wheat, corn, etc., whether North, South, East, or West. Florida citrus fruits would reach you in poorer condition unless the grove owners feel that potash prices not only justify their using it, but using it in the form of sulphate. Without potash especially the sandy lands of the South can not produce normal yields of cotton. The tobacco crops of Florida, the Carolinas, Pennsylvania, Connecticut, Massachusetts, Wisconsin, Kentucky, Porto Rico, etc., are all dependent on potash. Porto Rico could not successfully grow sugar cane without it. Peaches, apples, strawberries, vegetable crops, wherever grown, require it.

(6) Certain forms of potash much used and desired in the United States can not be produced in this country.

(7) One of the difficulties of the American production is that the freight rates from producing to consuming points average some 40 to 50 cents per unit of potash, or nearly as much as the cost of foreign potash delivered at American ports.

It might be thought that Democratic Members would like to see this tariff enacted because of the political reaction, knowing how unpopular it would be and how difficult to defend with farmers, but I am not one of those who delight in criticising Members of Congress as being influenced by ulterior motives. On the contrary, I know from intimate knowledge of and friendship with many Members of

both Houses how patriotic and how hard working the large majority of Members are and, moreover, how desirous they are of doing the fair, right, and proper thing. Hence, I feel assured that you will be influenced entirely by what you think is right, fair, and proper in regard to this proposed tariff, bearing in mind that it will be a most serious burden to add to those already existing for the farmers of 30-odd large fertilizer-consuming States, of which 19 were Republican in the last presidential election, so that no party question is involved in the matter of tariff on potash.

Senator SMOOT. Mr. Crenshaw, I want to ask you a few questions. Whom did you say you represented.

Mr. CRENSHAW. I am vice president of the Virginia-Carolina Chemical Co., but I am here representing the National Fertilizer Association.

Senator SMOOT. Does that association include all of the 34 American fertilizer manufacturers you spoke of?

Mr. CRENSHAW. It includes more than that.

Senator SMOOT. You spoke of 34, did you not?

Mr. CRENSHAW. Thirty-four States I spoke of, in which the largest fertilizer consumers are.

Senator SMOOT. My attention was distracted for a moment and I heard you mention 34, and I thought perhaps that was exactly the same 34 that have already made a contract with the German Potash Monopoly.

Did you make a contract with the German Potash Monopoly?

Mr. CRENSHAW. Yes, sir; but I wish to correct your statement by saying that it is no longer a monopoly. The French is just as strong—

Senator SMOOT. In your contract you state how much is going to be purchased from Germany?

Mr. CRENSHAW. Yes, sir.

Senator SMOOT. Seventy-five per cent from Germany and 25 per cent from France?

Mr. CRENSHAW. No, sir; not 25 per cent from France. I would like you to see a copy of that contract.

Senator SMOOT. I think I have a copy of it. It is true that you could buy it all from Germany under your contract, but you agreed to take 75 per cent?

Mr. CRENSHAW. Yes.

Senator SMOOT. And if they do not want to furnish any more than that, then, of course, you take the 25 per cent from the French?

Mr. CRENSHAW. No.

Senator SMOOT. You can take 25 per cent from the French under your contract, can you not?

Mr. CRENSHAW. If you will allow me again, I would like to correct you. The contract with the German syndicate states that the signers of that contract should take 75 per cent of their consumption up to April 30, 1922, leaving the other 25 per cent to be bought from French and domestic producers. If you would like to see the contract I have a copy of it in my bag. I came straight from the station and brought my bag along with me.

Senator SMOOT. I have here clippings from the New York Times, the New York Herald, the New York World, the New York Tribune, the New York Journal of Commerce, and the New York Commercial,

giving an account of the contract which has been made by these 34 leading fertilizer manufacturers with the German syndicate.

Mr. CRENSHAW. You can see how leading some of them are when I say that one of them purchased only about 25 tons, if I am not mistaken.

Senator SMOOT. What percentage would these 34 manufacturers produce which have made that contract?

Mr. CRENSHAW. I should say it is something like 60 per cent.

Senator SMOOT. How many are there, altogether, of the fertilizer manufacturers?

Mr. CRENSHAW. In the United States?

Senator SMOOT. Yes.

Mr. CRENSHAW. I could not tell you.

Senator SMOOT. You are president of the association and yet can not tell me that?

Mr. CRENSHAW. I am not president of the association, and am not an officer of it.

Senator SMOOT. I thought you said you were.

Mr. CRENSHAW. No, sir; I said I represented the National Fertilizer Association. [Reading:]

Each participant agrees that the 75 per cent of its purchases which it is obligated to purchase hereunder shall be a minimum of the number of tons of (2,000 pounds each) K_2O which is set opposite its name at the end of this article under the caption of "Minimum purchases on 75 per cent basis," it being understood that the remaining 25 per cent may be purchased by participants from any American or foreign sources.

Senator SMOOT. The contract is this, that you are compelled to purchase 75 per cent?

Mr. CRENSHAW. And we could have purchased the whole.

Senator SMOOT. As I said before, from Germany.

Mr. CRENSHAW. At a lower price—

Senator SMOOT. It does not say anything about the price.

Mr. CRENSHAW. Here is the contract. It speaks for itself.

Senator SMOOT. One cent a unit would be lower.

Mr. CRENSHAW. I will show you exactly what the reference is, if you desire, Senator. The price is \$1 per ton lower for muriate of potash.

Senator McLEAN. What is the full price per ton?

Mr. CRENSHAW. \$37 if we take 75 per cent, and \$36 if we take the whole 100 per cent. For sulphate of potash \$47.50 if we take 75 per cent, and \$46 if we take 100 per cent. For double manure salt \$25.75 if we take 75 per cent—

Senator McLEAN. Right there: The kind of potash that you get for \$36 per ton up to \$40, what is your price for that? What do you sell that for?

Mr. CRENSHAW. We practically sell little or none of it, Senator. It is used altogether in mixing, almost entirely in mixing, into mixed fertilizers.

Senator McLEAN. But you sell it after it is mixed?

Mr. CRENSHAW. Yes, sir. It costs us, with the discounts off, at \$37, about 63 cents a unit, but we sell it at 80 cents a unit.

Senator SMOOT. I desire at this place in the record to have a copy of the contract put in, because I think the committee will find out that it evades all of our antidumping laws.

Mr. CRENSHAW. It does; that is, it provides for the Germans to pay it.

Senator SMOOT. It evades all the antidumping laws we may pass. It evades all of the laws passed against combinations or trusts, and I want it to go into the record. I want the American people to understand what these people that are talking against an American industry are undertaking to do with a foreign country. I have no more to say right at this time, but I will when I go onto the floor of the Senate, perhaps.

(The contract referred to is as follows:)

CONTRACT OF THE AMERICAN AGRICULTURAL CHEMICAL CO. AND OTHERS WITH DEUTSCHES KALISYNDIKAT, G. m. b. H., DATED SEPTEMBER 28, 1921.

Agreement, made this 28th day of September, A. D. 1921, by and between Deutsches Kalisyndikat, G. m. b. H., Berlin, a corporation of Germany, hereinafter called the "seller," party of the first part, and The American Agricultural Chemical Co., Virginia-Carolina Chemical Co., International Agricultural Corporation, Armour Fertilizer Works, Swift & Co., F. S. Royaster Guano Co., Arkansas Fertilizer Co., Baugh & Sons Co., Berkshire Fertilizer Co., Caraleigh Phosphate & Fertilizer Co., Darling & Co., E. Rauh & Sons Fertilizer Co., Federal Chemical Co., F. W. Tunnell & Co., Georgia Fertilizer & Oil Co., G. Ober & Sons Co., Griffith & Boyd, Gulf Fertilizer Co., I. P. Thomas & Sons Co., Miller Fertilizer Co., Mutual Fertilizer Co., Olds & Whipple, Piedmont-Mount Airy Guano Co., Read Phosphate Co., Reliance Fertilizer Co., Richmond Guano Co., Robertson Fertilizer Co. (Inc.), Rogers & Hubbard Co., Smith Agricultural & Chemical Co., Southern Fertilizer & Chemical Co., W. B. Tilghman Co. (Inc.), Wuichet Fertilizer Co., Wilson & Toomer Fertilizer Co., York Chemical Works, a group hereinafter called the "buyer," as several parties of the second part, the individual members of which group are hereinafter sometimes called "participants"; and

Whereas the participants desire to purchase potash salts from the seller and avail themselves of the highest discounts, as shown by schedules hereinafter set forth; and
Whereas no one of the participants desires to purchase sufficient quantities to entitle it to the highest discount named hereinafter; and

Whereas the participants, by uniting their purchases under this contract, are able to buy at least the quantity which carries the highest discount, as shown by schedules hereinafter set forth; and

Whereas seller is willing to give a discount to the participants making up a group of buyers under this contract on the basis of aggregate quantity purchased.

Now, therefore, for value received, and each in consideration of the agreements by the other herein set forth, the parties agree with each other as follows:

ARTICLE I.—TERM.

The term of this contract shall be from the date hereof to and including April 20, 1922.

ARTICLE II.—QUANTITIES.

Each participant agrees to purchase from the seller at least 75 per cent of its entire purchases of potash salts for the term hereof at the prices set forth in schedule 1 of Article III hereof, subject to the conditions, discounts, and limitations hereinafter set forth.

The buyer has the right, through S. D. Crenshaw and H. H. Lippincott, to notify the seller within two weeks from the date hereof, by a writing, mailed or delivered to seller at 42 Broadway, New York City, of its intention to purchase from the seller 100 per cent of the entire purchases of the participants of potash salts for the term hereof, in which event each of the participants agrees to purchase from the seller 100 per cent of its entire purchases, and in such event the prices shall be the lower prices set forth in schedule 2 of Article III of this contract. Whenever notice is required in this contract notice by registered mail or delivery is sufficient.

Each participant agrees that the 75 per cent of its purchases which it is obligated to purchase hereunder shall be a minimum of the number of tons (of 2,000 pounds each) K_2O which is set opposite its name at the end of this article under the caption of "Minimum purchases on 75 per cent basis," it being understood that the remaining

25 per cent may be purchased by participants from any American or foreign sources. Each of the participants further agrees that if it elects to purchase 100 per cent of its entire purchases, such 100 per cent shall be a minimum of one and one-third times the number of tons (of 2,000 pounds each) K_2O which is set opposite its name under the caption of "Minimum purchases on 75 per cent basis," and the seller agrees to sell such minimum quantities which each of the participants is obligated to take.

Seller further agrees to sell to each of the participants, in addition to such quantities, additional quantities not in excess of 33 1/3 per cent of such quantities as such participants shall require.

The seller also agrees to sell to each of the participants any further quantities required by them, provided that at the time of the delivery of shipping instructions and during five days thereafter the exchange rate of the German mark shall be not higher than 1.35 cents per 1 mark. If any participant shall through the operation of the condition contained in the preceding sentence not be entitled to receive from the seller the full percentage of its purchases which it has agreed to purchase from seller, it shall be free to purchase such additional quantities from other sellers.

Minimum purchases on 75 per cent basis.

	Tons.		Tons.
The American Agricultural Chemical Co.	10,000	Gulf Fertilizer Co.	400
Virginia-Carolina Chemical Co.	6,000	I. P. Thomas & Sons Co.	529
International Agricultural Corporation	3,375	Miller Fertilizer Co.	182
Armour Fertilizer Works	2,000	Mutual Fertilizer Co.	37
Swift & Co.	4,500	Olds & Whipple	200
F. S. Royster Guano Co.	2,000	Piedmont-Mt. Airy Guano Co.	413
Arkansas Fertilizer Co.	49	Read Phosphate Co.	165
Baugh & Sons Co.	1,500	Reliance Fertilizer Co.	12
Berkshire Fertilizer Co.	150	Richmond Guano Co.	38
Caraleigh Phosphate & Fertilizer Co.	165	Robertson Fertilizer Co. (Inc.)	100
Darling & Co.	75	Rogers & Hubbard Co.	188
E. Rauh & Sons Fertilizer Co.	38	Smith Agricultural & Chemical Co.	150
Federal Chemical Co.	169	Southern Fertilizer & Chemical Co.	50
F. W. Tunnell & Co.	592	W. B. Tilghman Co. (Inc.)	338
Georgia Fertilizer & Oil Co.	235	Wuichet Fertilizer Co.	113
G. Ober & Sons Co.	150	Wilson & Toomer Fertilizer Co.	1,275
Griffith & Boyd	272	York Chemical Works	220
		Total	35,680

It is understood that the above minimum quantities include deliveries of potash salts since June 1, 1921.

ARTICLE III.—PRICE AND PAYMENT.

	In bags of 200 pounds even weight.	In bulk.
Price schedule No. 1:		
Muriate of potash 80-85 per cent, basis 80 per cent K_2O	\$37.00	\$35.75
Sulphate of potash 90-95 per cent, basis 90 per cent K_2SO_4	47.50	46.25
Double manure salt 48-53 per cent, basis 48 per cent K_2SO_4	25.75	24.50
Manure salt 30 per cent, basis 30 per cent K_2O	19.00	17.75
Manure salt 20 per cent, basis 20 per cent K_2O	12.25	11.00
Kainit 12.4 per cent K_2O	8.50	7.25
Price schedule No. 2:		
Muriate of potash 80-85 per cent, basis 80 per cent K_2O	36.00	34.75
Sulphate of potash 90-95 per cent, basis 90 per cent K_2SO_4	46.00	44.75
Double manure salt 48-53 per cent, basis 48 per cent K_2SO_4	25.00	23.75
Manure salt 30 per cent, basis 30 per cent K_2O	18.00	17.25
Manure salt 20 per cent K_2O	12.25	11.00
Kainit 12.4 per cent K_2O	8.25	7.00

Per 2,000 pounds net weight in good order ex-vessel Boston, New York, Philadelphia, Baltimore, Norfolk, Wilmington (N. C.), Charleston, Savannah, Brunswick, Fernandina, Jacksonville, Tampa, Mobile, Pensacola, New Orleans, Galveston, St.

John (N. B.) or Halifax (N. S.) provided quantities ordered for each respective port are sufficient to obtain freight room at reasonable freight rates.

Freight.—Freight to be deducted from the invoice and paid by participants on discharge at port of destination in accordance with charter party and/or bill of lading.

Analysis and weight.—Participants agree to accept seller's weights, tares, and analyses; seller agrees to furnish certificates of analyses for potash salts packed in bags and certificates of analyses and of weights for potash salts in bulk.

If manure salt 20 per cent shall test by seller's analysis more than 20 per cent K_2O , or kainit 12.4 per cent more than 12.4 per cent K_2O , such excess is free of charge, but if the two above-mentioned grades shall test by seller's analysis less than 20 per cent and 12.4 per cent K_2O , respectively, then seller agrees to make a pro rata allowance.

If participant shall at any time with reason claim that an error in weight or in analysis has been made, seller agrees through its New York office to give the matter its prompt attention and proper consideration and to adjust the same without unreasonable delay.

Payment.—The amount of each invoice, less freight, shall be paid by each of the participants in cash in New York City. Each participant shall, within 14 days after the date of this contract, furnish to seller a detailed estimated statement of quantities and grades of potash salts constituting the minimum quantity of K_2O which it shall at the time be obligated to take hereunder, and shall, within said 14 days furnish to seller a confirmed irrevocable letter of credit on a New York City bank or banker to be approved by seller, to continue in effect until final payment for such minimum quantity, at the following rates per ton of 2,000 pounds of potash salts, so specified, as per following schedules, to wit:

	In bags of 200 pounds even weight.	In bulk.
Schedule 1, minimum purchases on 75 per cent basis:		
Muriate of potash 80-85 per cent, basis 80 per cent K_2CO_3	\$30. 60	\$29. 17
Sulphate of potash 90-95 per cent, basis 90 per cent K_2SO_4	40. 05	38. 82
Double manure salt 48-53 per cent, basis 48 per cent K_2SO_4	20. 47	19. 35
Manure salt 30 per cent, basis 30 per cent K_2O	14. 40	13. 27
Manure salt 20 per cent K_2O	8. 32	7. 20
Kainit 12.4 per cent K_2O	4. 05	3. 82
Schedule 2, minimum purchases on 100 per cent basis:		
Muriate of potash 80-85 per cent, basis 80 per cent K_2CO_3	29. 70	28. 57
Sulphate of potash 90-95 per cent, basis 90 per cent K_2SO_4	38. 70	37. 57
Double manure salt 48-53 per cent, basis 48 per cent K_2SO_4	19. 80	18. 67
Manure salt 30 per cent, basis 30 per cent K_2O	13. 95	12. 82
Manure salt 20 per cent K_2O	8. 32	7. 20
Kainit 12.4 per cent K_2O	4. 72	3. 60

Each participant shall, within 40 days after the date of this contract, furnish to seller a detailed revised and corrected statement of quantities and grades of potash salts constituting its minimum tonnage of K_2O , and the total amount of the letter of credit issued as above provided shall be readjusted accordingly.

Whenever any participant shall have paid for the aggregate minimum tonnage of K_2O which participant is obligated to purchase under this contract, said letter of credit shall be released and seller agrees to notify the bank or banker to that effect.

Whenever credits thus established by any participant shall have been exhausted or so released, such participant shall thereafter, either before or at the time of delivery of shipping orders, furnish additional like letters of credit covering quantities so ordered at the the above rates per ton of 2,000 pounds of potash salts.

Seller agrees to deliver in exchange for payment seller's invoice, consular invoice, certificate of analysis, certificate of weights (for crude salts only), bill of lading, and charter party (if any). In case any of the foregoing documents are delayed and not obtainable on the day of presentation to the New York bank or bankers, seller will present invoice and delivery order and proof of arrival of steamer at port of destination, and agrees and guarantees to furnish the foregoing documents as soon as they come to hand and in any event within 21 days, and each of the participants agrees to instruct its bank or banker accordingly. Each of the participants, however, shall have the right to give seller a bank acceptance maturing four months from the date of presentation of documents or delivery order and bearing interest at the rate of 6 per cent per annum in lieu of cash; and in such a case seller agrees to repay to such participants one-half of 1 per cent for the bank-acceptance commission. Seller agrees, if so desired by any participant, not to present the documents to the New York bank or bankers before the steamer has arrived at port of destination.

ARTICLE IV.—SHIPMENTS.

Shipments are to be made according to shipping instructions to be delivered to seller at 42 Broadway, New York, N. Y., at any time during the term hereof. Each of the participants agrees to order shipments as early as possible. Goods shall be ordered in quantities of not less than 200 tons of bulk goods and/or 50 tons of bag goods to a shipment. Seller agrees to make prompt shipments at such times as participants shall direct.

Seller agrees to pay a discount of 1½ per cent (to be calculated on the prices set forth in the schedules in Article III) on all shipments ordered by any participant prior to October 15, 1921; for September/October shipment, 1921. This discount is to be deducted from each invoice.

Seller has the right to make deliveries ex-store Atlantic and Gulf ports in place of shipments from abroad, and in that case the term "ex-store" shall be equivalent to the term "ex-vessel," provided that cost shall be not greater to the participants at their respective works than if delivered ex-vessel, and in such case seller shall furnish public sworn weighers' weights and analysis certificate of Stilwell & Gladding of sample drawn by public sampler, or certificate of any other reputable chemist selected by seller and approved by participant.

Discharge of goods.—Participants shall receive potash salts as per bill of lading and charter party (if any), as soon as steamer is ready to discharge, after having secured proper berth, in northern ports as fast as steamer can discharge; in southern ports, south of Baltimore, at the rate of not less than 400 tons of 2,240 pounds each per day, Sundays and holidays excepted and weather permitting. On shipments to southern ports seller agrees to stipulate in charter parties that the steamer shall discharge at two wharves as designated by respective participants, provided there is a sufficient depth of water at such wharves. If possible, seller shall also stipulate for discharge at a third wharf, but in such a case participant shall pay the expense of removal of the steamer from the second to the third wharf. Any lighterage at port of discharge is for participants' account, but participants guarantee only 19½ feet of water at Wilmington, N. C., Charleston, and Savannah, and only 20 feet at Mobile, Ala. Seller shall provide in charter party that respective participants shall have privilege of stevedoring at current rates of port.

ARTICLE V.—DISCOUNTS.

QUANTITY DISCOUNT.

Seller represents to buyer that its scale of quantity discounts is:

	Tons K ₂ O.
1 per cent upon purchases of.....	1,000
3 per cent upon purchases of.....	5,000
5 per cent upon purchases of.....	10,000
8 per cent upon purchases of.....	20,000
10 per cent upon purchases of.....	30,000

Inasmuch as the total minimum quantities which participants are obligated to take hereunder which include the quantities heretofore purchased by the participants since June 1, 1921, from the seller under contracts whereby the seller agreed to protect the participants against any subsequent decline in price, aggregate in excess of 30,000 tons, seller agrees to give participants a quantity discount of 10 per cent (to be calculated on the prices set forth in the schedules in Article III). This discount shall be deducted from each invoice.

Seller agrees not to give to any other buyers of potash salts in the United States (Atlantic and Gulf ports) and/or Canada any higher discounts for the respective quantities than above stated or any lower prices or better terms than herein contained.

SPECIAL DISCOUNT.

Seller further agrees to pay a special discount of 2 per cent (to be calculated on the prices set forth in the schedules in Article III) on all quantities of potash salts sold hereunder which shall be resold by any participant to dealers and/or consumers in unmixed form. Any participant making such resales shall upon furnishing to the seller an affidavit of the total tonnage of each grade of such sales, be entitled to receive such discount within 60 days after April 30, 1922.

SEPARATE DISCOUNT.

Seller agrees to pay to any of the participants a separate discount of 1 per cent (to be calculated on the prices set forth in the schedules in Article III) on all deliveries made to such participants, provided:

(1) Such participant shall state in its price lists that potash salts can now be had in all required quantities, and that it is advisable to buy mixed goods containing as high a percentage of potash as is suitable to the respective crops; and

(2) Such participant shall instruct its selling organization and salesmen to sell and recommend mixed goods containing as high a percentage of potash as is suitable to the respective crops.

Any such participant shall upon furnishing to seller an affidavit, stating that it has fully complied with the above conditions, be entitled to receive such discount within 60 days after April 30, 1922. Failure of any participant to comply with such conditions shall not deprive any other participant of its right to such separate discount.

ARTICLE VI.—PROTECTION OF PARTICIPANTS.

In case seller during the term of this contract shall sell to any purchaser of potash salts in the United States to or through Atlantic and Gulf ports and/or Canada any grade or grades of potash salts, whether mentioned in this contract or not, at lower prices and/or allow or pay to any such purchaser higher discounts or better terms than those named in this contract, then and in such event, such lower prices and/or higher discounts and/or better terms shall also apply to this contract with retroactive effect as though such lower prices and/or higher discounts and/or better terms had originally been contained in this contract; provided that nothing herein contained shall preclude the seller from selling to other groups of buyers and allowing discounts on the basis of the aggregate purchases of such groups under contracts containing similar provisions to those of this contract.

In the event that potash salts should be offered to any participant at lower net prices than those named in this contract, such participant shall be entitled to buy such salts, provided:

(1) That the quantity so offered to such participant shall be bona fide and substantial, aggregating approximately 1,000 tons K_2O .

(2) That notice of the net price at which such potash can be purchased shall have been given to the seller in New York, at 42 Broadway, and the seller shall not within five days thereafter have notified the participant that it intends to meet such lower price by reducing the prices named in this contract to such price offered to the participant.

In case the seller should elect so to reduce the net prices specified in this contract, such reduction shall apply to all participants and to all quantities not yet shipped to the participants, during the entire remainder of the term of this contract. No quantity discount from such reduced prices shall be allowed.

In the event that the seller should not elect to reduce its prices for the remainder of the term of the contract to meet the prices offered to any participant, then any such participant shall have the right on notice to the seller given to it in New York, at 42 Broadway, to cancel and to terminate so much of the contract as shall cover so much of the grade of potash salts for which such offer at a reduced price has been received and accepted, and which reduction of price the seller is unwilling to meet as above set forth.

In the event that the seller should determine not to reduce its prices, but to permit any participant to purchase such salts at such reduced prices from other sellers, it shall not in anywise affect the right of such participant or of any other participant to receive the quantity discount of 10 per cent to which each participant is entitled hereunder, and each participant shall be entitled to receive such discount notwithstanding it shall make such purchases from other sellers of potash salts.

In the event that seller shall not reduce its price in the event of a lower price being offered to any participant, and shall permit such participant to purchase potash salts from others as herein provided, seller agrees immediately to notify the bank or banker issuing the letters of credit hereinabove referred to that the credit of such participant has been reduced by an amount to be determined by multiplying the number of tons (of 2,000 pounds) of the grade of potash salts as to which the contract is so canceled by the rate applicable to the grade as specified in the table of rates set forth in this contract above in paragraph entitled "Payment."

In the event that seller shall reduce its price to meet the prices offered by others, seller agrees immediately to notify the bank or banker issuing the said letters of credit of such reduction of price and of the corresponding reduction in the liability

of each and every participant under said letters of credit to an amount to be computed as follows: The tonnage of each grade which such participant shall at the time still be obligated to purchase shall be multiplied by the reduced price applicable; from each such sum thus obtained there shall be deducted an amount equal to the number of tons (of 2,000 pounds each) of such grade multiplied by \$2.70.

The prices named in Article III and the discounts named in Article V of this contract shall also apply to all quantities received or ordered by participants since June 1, 1921, and such quantities shall be deemed to be included within the terms and conditions of this contract.

The seller further agrees that if the prices in Article III shall hereafter be reduced as above provided in the first paragraph of Article VI, such reduced prices shall then be applicable to the purchases referred to in the preceding sentence.

In the event of war, revolution, fire, flood, strike, accident, or any other contingencies beyond the control of the participants happening to such number of the factories owned and operated by any participant or its branches, that the operation thereof shall be interfered with or interrupted in such manner as to prevent such participant from using all the merchandise agreed to be purchased by it under this agreement, such participant has the right to cancel such portion of this contract as may be affected thereby, by giving notice to the seller in New York to that effect; provided said goods shall not have been shipped or vessels to carry the same shall not have been chartered prior to notice being given to seller of the existence of such impediments. Such cancellation shall not deprive the participant so canceling or any other participant of the quantity discount which it is entitled to hereunder.

ARTICLE VII.—PROTECTION OF SELLER.

In case of war, revolution, fire, flood, strikes, accidents, or any other contingencies beyond the control of the seller happening to such number of the mines or works represented by it, as to make impossible the production or transportation of the goods herein described, seller shall have the right to cancel this contract with reference to the shipments which may be so affected or to make these shipments after the said impediments and contingencies shall have been removed, provided the respective participants who shall have ordered such shipments agree thereto. Should seller notify any participant that it is prevented from making deliveries in case of war, etc. (as above), such participant shall have the right to buy the quantities so affected from other sellers of potash salts. The quantity discount to which the participants are entitled hereunder shall not be reduced because of such cancellation and such purchases from other sellers of potash salts.

Each participant agrees expressly to use or sell potash salts bought from seller under this contract only in the United States, Canada, Cuba, and Porto Rico. Shipments to Cuba and Porto Rico may be ordered direct to those countries by participants at the same prices and discounts named in this contract except as to difference in freight. Deliveries of mixed fertilizer goods containing potash may be made to any country.

This contract embraces only shipments of potash salts to Atlantic and Gulf ports of the United States and Canada.

This contract further embraces only shipments of potash salts for agricultural purposes. Shipments for chemical purposes are excluded from this contract, but seller agrees to hind such buyers as buy potash salts for chemical purposes not to resell them for agricultural purposes.

ARTICLE VIII.—TAXES AND DUTIES.

Seller hereby assumes and agrees to pay any tax or duty which may be imposed or assessed by the German Government in any way affecting deliveries under this contract. However, if the German Government shall impose or assess any new tax or duty, seller shall have the right or option to cancel any unshipped part of the contract, except as to the minimum quantities which each participant shall be then obligated to take hereunder.

Seller hereby also assumes and agrees to pay any tax or duty affecting deliveries under this contract which may be imposed or assessed by the United States Government under the antidumping act of 1921 or any amendment thereto which may be hereafter enacted, provided however in case of such amendment seller shall not be required to pay any tax or duty in excess of amount of tax payable under existing provisions.

On the other hand, each of the participants hereby assumes and agrees to pay any other tax or duty which may be imposed or assessed by the United States Government and/or any war-risk insurance affecting deliveries to it under this contract. However,

if the United States Government shall impose or assess any additional tax or duty, each participant shall have the right or option to cancel any unshipped part of the contract except as to the minimum quantity which each participant shall be then obligated to take hereunder and except as to any quantity for which steamers have already been chartered.

ARTICLE IX.

It is hereby expressly provided anything herein contained to the contrary notwithstanding (subject to the provisions of Art. VI hereof) that in case any participant shall have failed prior to April 1, 1922, to have given to the seller shipping orders or instructions for the full amount of the minimum quantities which it is obligated to purchase set opposite its respective name, that seller shall have the right nevertheless to ship to such participant a quantity of K_2O equal to the difference between such minimum quantity and the quantity for which shipping instructions or orders shall have been so given to the seller. Such quantity of K_2O shall be distributed in any grades whatsoever that the seller may select and shall be shipped to such participant at the port nearest to its factory, and the seller shall be authorized to draw drafts for the purchase price of such potash shipments under the said letter of credit given by such participant under the terms of this agreement, and upon receipt of the documents as hereinbefore provided the bank shall pay such drafts for shipments made under the terms of this paragraph in all respects the same as if the shipments had actually been directed by the participant.

ARTICLE X.

This agreement may be executed in several counterparts.

In witness whereof seller has caused these presents to be executed in its behalf by its managers, W. Forthmann and H. Duehrssen, thereunto duly authorized, and each of the buyers has caused these presents to be executed in its behalf by its officers thereunto duly authorized the day and date first above mentioned.

Executed and delivered in the presence of—

DEUTSCHES KALISYNDIKAT G.m.b.H.

By _____
And _____

Senator SMOOT. Do you know Mr. Paul Frederickson?

Mr. CRENSHAW. No, sir.

Senator SMOOT. Are you acquainted with H. A. Huston?

Mr. CRENSHAW. Yes, sir.

Senator SMOOT. He will be here as a witness to-day?

Mr. CRENSHAW. Possibly so; I do not know.

Senator SMOOT. You know him very well?

Mr. CRENSHAW. I know him, but he and I do not see very well together personally, if that is what you want to get at.

Senator SMOOT. That does not make any difference to us at all. You are perfectly willing to destroy the American potash industry and tie yourselves up for the future with the German potash monopoly, are you?

Mr. CRENSHAW. I am perfectly willing to support, if I had any voice in it, the proposed tariff, provided that the American producers can show that they can comply with the American normal requirements at the end of five years.

Senator SMOOT. I have no doubt about it myself. Let me call your attention to the fact that you have made a statement that was quite unfair as to the amount that was produced here during the war. You know that the Searles Lake could not be developed until we passed legislation here. It had been held up in Congress through this conservation movement for at least 10 years that I am aware of, and more, too. And until that law was passed so that releases could be taken upon that it could not be developed. And you know that

it is not developed to-day to the extent that it will be or can be developed.

Mr. CRENSHAW. I have no knowledge on the subject.

Senator SMOOT. I thought you had.

Mr. CRENSHAW. Pardon me. I thought you were through.

Senator SMOOT. No; I am not through. I know also that there has been invested in my State at least three or four millions of dollars, and they were not prepared to run before November 11, when the war closed. They did not produce any.

Mr. CRENSHAW. What State, sir?

Senator SMOOT. The State of Utah. The concerns on the west side of the lake and on the north side of the lake, down in Marysvale, the southern part of our State—

Mr. CRENSHAW. That is the alunite?

Senator SMOOT. In part; only, however, in part. You know that in the Nebraska lakes they got fairly well started. They got more out of it during the war than any other part of the country.

Mr. CRENSHAW. They got started early; yes.

Senator SMOOT. But I have no more doubt that we can produce all the potash that the farmers of this country will ever want within a shorter time than five years if this duty is put on. If that contract can stand, Germany will see that there is never any potash industry in this country, just as she used to destroy every chemical industry that started in this country; and you will find yourself, when this industry is destroyed here, completely in their hands, and then God help you and the farmers of this country as far as potash is concerned.

Mr. CRENSHAW. Senator, we have been in their hands before. Until the breaking out of the war Germany was practically the only source of potash in appreciable quantities in the world.

Senator JONES. How is the potash industry in Germany handled at the present time?

Mr. CRENSHAW. It is handled by a syndicate, as everything else in Germany is.

Senator SMOOT. There is one other thing. You know, too, that the production of potash from kelp has been undertaken. I do not know whether it is going to be a success or not.

Mr. CRENSHAW. It is an absolute failure.

Senator SMOOT. It may be.

Mr. CRENSHAW. It was a failure at \$4.50 a unit. It is a matter that has been thoroughly investigated, not only theoretically but practically.

I do not want to appear to be argumentative, but I think I have information, which is at your disposal, in regard to the results. I can tell you that every concern that undertook it, from the smaller concerns who invested \$100,000 in a plant to those who invested five or six hundred thousand dollars, had exactly the same result.

Senator SMOOT. I only brought it up to find out what your information was.

Mr. CRENSHAW. It is a hopeless case.

Senator SMOOT. When you have got vast quantities, as we have at Utah Lake and all of the great lands adjoining the lake, made there for thousands and thousands of years, and nobody can tell how deep or to what extent it goes, when you have got Searles Lake and other

sources of supply in other sections of this country, there is no question about the production of it.

Senator WATSON. How much potash is consumed in the United States?

Mr. CRENSHAW. Normally, in antebellum days, the equivalent of 240,000 to 250,000 tons of pure potash.

Senator WATSON. How much is produced here?

Mr. CRENSHAW. I was just going to answer the Senator from Utah. In reply I started to say I did not know how much the United States can produce—

Senator WATSON. How much are they producing?

Mr. CRENSHAW. I am just going to tell you—

Senator SMOOT. We produced about 25 per cent during the war—25 per cent of the amount that we used during the war.

Senator McLEAN. We did not get any during the war.

Senator SMOOT. Oh, yes; we did.

Mr. CRENSHAW. I said that the representatives of the American potash producers met November 14, 1921, when I had an interview with them. I have already told you that I asked them to please make a showing as to what the possible production in America would be at the end of a five-year tariff protection. They promised to give it to me, as I have stated, but I have never heard from them since.

Senator SMOOT. They may do it at this hearing.

Mr. CRENSHAW. One minute. At the same interview I asked them what was the productive capacity of the United States—

Senator SMOOT. To-day?

Mr. CRENSHAW. In the next year, and here it is. This is a memorandum that I dictated after our meeting was over. All this is in tons of K₂O. They estimated that Trona could produce 20,000 tons; Salduro, 10,000 tons; what we call the Nebraska Lakes, 12,500 tons; the alunite of Utah, 6,000 tons; the United States Alcohol Co., 3,000 tons; the cement companies, 3,000 tons; the beet sugar companies, 5,000 tons; the West End Chemical Co., at Searles Lake, 1,500 tons, making a total of 61,000 tons. That, they say, is their ability to produce now. But, as I said before—

Senator WATSON. Does that include California?

Mr. CRENSHAW. Yes, sir; that is the Searles Lake.

Senator SMOOT. That is 25 per cent, as I said, of the production.

Mr. CRENSHAW. According to this, it is about 30 per cent.

Senator SMOOT. I say 25 per cent.

Mr. CRENSHAW. You mean of the whole. I thought you were speaking of Trona. Trona is about 30 per cent of the whole. I simply stand on the bare fact that with \$4.50 per unit they were never able to produce, according to the United States Geological report, over—

Senator SMOOT. Let me tell you why they did not produce. The Salduro people of Utah did not even have their title to the land. I tried during the whole war, to the very last, to get a title to the land so that they could go to work. They did not produce anything during the war. They could not do it. The north end of the lake has not produced. It had to quit after it had produced about three carloads of it. There is half a million dollars lying there perfectly idle. They have a watchman there.

Senator MOLEAN. How much does it cost per unit to get your potash?

Senator SMOOT. I do not know; I have never figured on that. All I know is that the Utah company claims that if they can get protection so that they can go to work and develop their fields there they will produce all the potash required and produce it so that it will not be a hardship on the American purchaser.

Senator JONES. Will you let me get some figures?

Mr. CRENSHAW. Yes, sir.

Senator JONES. You said the cost of transportation of this western potash to the consuming points would be 50 cents per unit?

Mr. CRENSHAW. From 40 to 50 cents per unit.

Senator McCUMBER. What constitutes a unit?

Mr. CRENSHAW. I will take the Nebraska lakes as an illustration. The potash from the Nebraska Lakes contains variously from 22— I have seen it run as low as 22 and as high as 25 and a fraction of potash. The freight from the Nebraska Lakes to the main fertilizer consuming points is \$15 to \$16 a ton—

Senator JONES. \$15 or \$16 a ton? That would be about 75 cents per unit, would it not?

Mr. CRENSHAW. Just about 60 cents, in that case; but I am taking an average. I do not remember the freight from the Utah Salduro property; but take it from California. I had some telegraphic correspondence recently with the Santa Cruz Cement Co.

Senator WATSON. What does it cost to get it from there east?

Mr. CRENSHAW. The freight was \$23.25 a ton, and it ran about 32 per cent.

Senator SMOOT. \$1.15 a hundred?

Mr. CRENSHAW. The freight rate is \$20. I thought it was \$22.

Senator JONES. How many units?

Mr. CRENSHAW. It runs 32 units.

Senator WATSON. Where does that carry it?

Mr. CRENSHAW. Jacksonville, Fla. The price of sulphate is higher per unit than the other.

Senator SMOOT. That is from Marysvale?

Mr. CRENSHAW. No, sir; from San Francisco. I do not know where the place is. It is the Santa Cruz Portland Cement Co.

Senator JONES. What is your contract price for the German potash per unit? What does it amount to?

Mr. CRENSHAW. It depends on what the grade is, which salts it is, Senator. The price of muriate of potash is \$37 per ton for 50 units.

Senator JONES. How much would that be per unit?

Mr. CRENSHAW. From that has to come off discount, making it \$31.64, divided by 50. That is 63 and a fraction over—between 63 and 64 cents a unit.

Senator JONES. Then you get potash here almost for the cost of transportation?

Mr. CRENSHAW. That is what I say is one of the difficulties of the western producers.

Senator JONES. The western producer never could get rid of this freight charge.

Mr. CRENSHAW. Of course, he can hope to have a reduction in it.

Senator McLEAN. You anticipate that unless we have some competition from some other source the German kartel that controls this product would charge you about what the trade would bear?

Mr. CRENSHAW. Senator, I can only answer that question by judging by the past. Our price in prewar times, when, as I stated to you before, there was no competition, because at that time Germany, I think I am safe in saying, produced 99 per cent if not 99½ per cent of the potash used in the world. They had at that time Alsace, you understand, and in spite of that, if I may continue my point, we were paying prewar prices, which were not very much higher than they have been lately.

Senator McLEAN. The situation in Germany is altogether different. Both nations are heavily in debt. Is it not fair to presume that they will charge all that the trade will bear for their product, with potash as with everything else?

Senator McCUMBER. Did they not do it even before the war? Did they not charge all the traffic would bear then?

Mr. CRENSHAW. Their main object, gentlemen, has been this: I have been there; I have been down in a good many mines, and every one of them is hampered as to its costs by its smallness of production in comparison with its ability to produce. There is scarcely a potash mine in Germany that could not produce anywhere from ten to one hundred times what it actually does produce. The overhead expenses are what brings that about. They are earnestly praying and hoping and doing everything else that a German does to try to get that production up to larger figures.

Senator McCUMBER. You have not yet answered my question. You started to answer it. Did they charge prior to the war all that the traffic would bear?

Mr. CRENSHAW. I think they did, to the extent of not checking consumption.

Senator SMOOT. Were the prices you quoted on the product delivered here, or are they German prices?

Mr. CRENSHAW. Delivered in United States ports.

Senator McLEAN. Is the supply in Germany inexhaustible?

Mr. CRENSHAW. Absolutely, Senator.

Senator McLEAN. Of course, if that were true, they would have an incentive to sell all that they can and at a fair profit.

Mr. CRENSHAW. No flight of imagination can conceive of the period of exhaustion.

Senator JONES. Mr. Crenshaw, with corn at 50 cents a bushel, how much potash can the farmer afford—I mean, how much can the farmer afford to pay for potash in order to increase his yield of corn, at 50 cents a bushel?

Mr. CRENSHAW. Senator, of course that depends upon the character of the land, but he can at 50 cents a bushel for corn afford to pay fairly good prices for potash; but with the present 20 to 25 cents it puts a very different face upon it. The corn crop is not the largest; it is not the crop on which most potash is used.

Senator JONES. On what crops is it used?

Mr. CRENSHAW. The fertilizers containing the largest percentage of potash are used for potatoes.

Senator SMOOT. And cotton?

Mr. CRENSHAW. Not yet; no. On potatoes and sugar cane. I am speaking, Senator, in a descending scale. Sugar cane, for instance, uses 12 per cent potash frequently, and potatoes almost always 7 per cent of potash, sometimes even higher. Then what we call truck, or vegetables, are the gross potash feeders. Our sales in the cotton territory average about 3 per cent of potash. Corn and wheat generally use about 2, though some people use more.

Senator JONES. Have any of you people made any tabulations of the price which the farmer can get for his product in order to justify his use of your product?

Mr. CRENSHAW. We have not put it that way, Senator. What we have done, and it has been done in hundreds if not in thousands of cases, has been to have tests conducted not only by the manufacturers of fertilizers themselves, but what will carry more weight are the tests made by the Agricultural Department of the United States and particularly of the various States, in which they have planted various crops—corn and other crops—with and without fertilizers, showing the grade of fertilizer used, and carefully weighed the results. The difference in the results is astonishing.

Senator McCUMBER. Your view is that no matter what he gets for his product, he will get more if he uses fertilizer?

Mr. CRENSHAW. You take your lands—Senator, I believe you have the honor to represent New Mexico—at Las Cruces and pour that Rio Grande water over them, for example, and they will not need much potash; but they ultimately will.

Senator JONES. The reservoir down there has made that water perfectly clear.

Mr. CRENSHAW. I did not, of course, refer to their being muddy. I have been there. I have a lawyer friend there with whom I visited. I mean the irrigation. I happened to buy the Albert Sydney Johnston Fort, which was commanded by that general when the Civil War broke out, and I purchased it without having seen it. My lawyer friend said it was a great purchase, and I stopped once on my way coming up from Mexico and spent a few days at Las Cruces, and I said, "Come out and show me this wonderful piece of property that I bought." And I went out there, and everything that I saw growing on what he called "this good land" was that prickly stuff—cactus." He said, "Wait until the Elephant Butte Dam is finished, and then you will see."

Senator JONES. What I am trying to get at is this: Is there not a direct relation between the potash and the price of the farm product, to the amount of the fertilizer which will be used?

Mr. CRENSHAW. There is, but it is not expressed—at least, I have never seen it expressed—in just the way you asked. The way in which it has generally been expressed is:

I will take for illustration cotton. The average yield of lint cotton in the United States up to the last two or three years, when you have had short crops, was around 145 to 150 pounds to the acre. We conducted experiments by which we demonstrated—and the only way we could do it was by saying to the people, "We will furnish you the fertilizer if you will use the grade of fertilizer we recommend, apply it as we recommend it, at the time when we recommend it," and we said to them, "We will take as pay for that

fertilizer the difference—not the cotton—but the difference of the cotton seed between your normal yield and what it turns out.”

We actually had cases where the yield was increased from 150 or 160 pounds of lint cotton an acre up to 1,000 pounds of lint cotton to the acre, with the application of 800 to 1,000 pounds of fertilizer that cost them at that time about \$23 or \$24 for the application.

Senator JONES. Your argument, then, leads to this; does it not, that if the farmer was to use the right kind of fertilizer and use it properly he could afford to pay a good deal more for it than he is paying?

Mr. CRENSHAW. Senator, if you could get the farmers of this country—of course, there are exceptions, but I am talking about the great run—to plant one-half their acreage and cultivate it thoroughly and fertilize it intensively, you would make as much of all crops as they are making to-day.

Senator SMOOT. Senator, I want to call your attention to the fact that the unit is not a pound; it is 20 pounds. We will get at just what it will cost the farmer if he buys a full ton of fertilizer, and what this is going to cost him. Mr. Bradley, who was the president of the American Agricultural Chemical Co., testified here before, and this is what I asked him [reading]:

Senator SMOOT. In a ton of fertilizer how much potash is there?

Mr. BRADLEY. It depends. The average is about 60 pounds of potash to a ton. It may be sometimes less. It depends on what your farmer buys. In the potato section of Maine it is more.

Senator SMOOT. There are only 60 pounds of potash in a ton of fertilizer?

Mr. BRADLEY. Yes, sir; that is, taking the average.

Senator SMOOT. That would make it cost about 75 cents more per ton of fertilizer if you use American potash as against the German potash. Fertilizer would cost about 75 cents a ton more?

Mr. BRADLEY. Fifty cents a unit, which would be \$1.50.

Senator SMOOT. You say that is the difference in the unit; but I do not think there is that difference.

Senator McLEAN. What is a unit?

Mr. BRADLEY. Twenty pounds. The ton is 2,000 pounds; so a unit is 20 pounds.

Senator SIMMONS. But you can not use pure potash on plants. It has to be in combination?

Mr. BRADLEY. Yes.

Senator WATSON. What per cent of all the potash used in the United States is produced in the United States?

And then he goes on for the different years and gives the production of the potash. So that with the 60 pounds—and that is the unit to the ton—it would cost about 75 cents?

Mr. CRENSHAW. No, Senator, it cost \$1.50; 3 per cent means three units.

Senator SMOOT. That is what I said, 60 pounds means three units.

Mr. CRENSHAW. Which is \$1.50.

Senator SMOOT. And if it is 50 cents that would be \$1.50 on that amount?

Mr. CRENSHAW. That is correct.

Senator SMOOT. There is a great deal of it only two-unit—that is the high price. Now, that is on a ton of fertilizer; that is all they have in there, and do you think that buying German potash is going to make any difference in what the farmer pays? They will get everything out of the farmer they can, and they will make him pay it.

Senator JONES. Will not that be an excuse for raising the price of the fertilizer, and will they not have to raise it that much?

STATEMENT OF WALTER L. MINCH, PRESIDENT MINCH BROS.,
BRIDGETON, N. J.

Senator McCUMBER. Please state your name, your residence, and what you represent, Mr. Minch.

Mr. MINCH. My name is Walter L. Minch; residence, Bridgeton, N. J. I represent officially the New Jersey State Potato Growers' Association; also I am president of the Alfalfa Growers' Association, and unofficially I represent our producing farmers, and personally I represent our own business, which is the cultivation and marketing of farm crops from about 3,000 plow acres.

My education on fertilizers is not scientific, but is just plain, practical, common dirt farmer experience, as you can see by my hands. If you want to determine whether a man is a "dirt farmer" or not, look at his hands, their size and everything.

The shortage of potash has seriously hampered our operations as farmers. Prior to the war we were using 4-8-10 fertilizer—that is, 4 parts ammonia, 8 parts phosphoric acid, and 10 parts actual potash—and under our method of using this kind of fertilizer in large quantities on our potatoes, 1,800 or 2,000 pounds per acre, our fields increased in fertility rapidly. We would let our potato patch pay up our fertilizer bills and give us a nice profit, and in rotation following potatoes each crop grew better as the years went by.

Senator WATSON. Are you talking about Irish potatoes now or sweet potatoes?

Mr. MINCH. Forget them now; we are talking about white potatoes.

Senator SMOOT. Are you talking about this year or prior to the war?

Mr. MINCH. Prior to the war. We were using 4-8-10 fertilizer, 10 per cent actual potash. Of course, 10 per cent actual potash means the pure muriate. When the war came, with the attendant shortage of potash, we were all hampered, and we used as little as we could, though our fields, previously heavily fertilized with this high-grade potash fertilizer, produced pretty well for a year or two using small quantities, say 2 or 3 per cent, but our yield gradually decreased; if we should have been unable to have bought potash we would have practically been driven out of the white-potato game; we could not get by, as our farms could not produce the potatoes to pay the bill.

Senator SMOOT. During the war did you save enough money to buy all the potash you wanted?

Mr. MINCH. I never saw a time when a farmer could get what he wanted; he takes what he can get.

Senator SMOOT. He certainly got enough for his potatoes during the war, if you did not have to buy any fertilizer.

Mr. MINCH. But you understand that a potato farmer is not wholly a farmer in potatoes. He farms in rotation, and some years potatoes pay well—

Senator SMOOT (interposing). You were talking about potatoes.

Mr. MINCH. It is our main crop requiring potash, and on our potato farms we have been dependent and do depend yet on our potato crops for the fertilization of the following crops. Take corn, for instance; we can not yet buy fertilizer and put it on our cornfields at a profit. But we can put it on our potato patches and by using large quantities

of potash secure increased yields that give us a profit on the potato crop itself and the following crops that produce from the reserve potash already paid for. By growing potatoes in our fields in rotation one year in four we are increasing the average productiveness of our entire farm. After we had been short of potash for two years and only using 1 and 2 per cent, which was all we could get, as we could not use it all, because it had to be divided among us in limited quantities; we conducted a yearly test and do conduct yearly intensive tests on our farms to ascertain what kind of fertilizers are required to produce maximum crops at the least possible expense; and I have plots on my farm which show 60 per cent increase from using 3 per cent goods against goods that contained no potash—4-8-0; that is, 4 ammonia, 8 phosphoric acid, and no potash. We produced 60 per cent increased crop on 3 per cent of actual potash, which is phenomenal, it is exceptional; it is not the general rule, as our fertilizers are 4-8-8.

Senator WATSON. What do you mean by that?

Mr. MINCH. Four ammonia, 8 phosphoric acid, and 8 potash.

Senator SMOOT. Eight units?

Mr. MINCH. Eight actual units. That means 160 pounds of actual potash, and when we are using muriate it means 320 pounds; understand that.

Those tests are conducted at six or eight farms. We do not put in one row. We usually put in 2-acre blocks—a 10-acre field divided into five blocks, and put it in that way and see what we get in results.

We know the history of a farm 10 or 15 or 20 years back, and know what has been applied as fertilizers. Unless you do know the history of your field you do not know the results secured. Our average increase from the use of potash is about 40 bushels per acre. Forty bushels increase to the acre allows us to buy fertilizer at moderate prices.

When we could not get the 7 per cent or 8 or 10 per cent potash we could not raise potatoes.

We are perfectly willing to pay our share toward the support of the Government, and if a tariff of some kind is necessary to help along the western proposition, if we can see our way through, but we do not see how the German people can ever give us potash, plus the tariff, at the price we can afford to pay. The \$250 a ton price during the war was prohibitive, and the average increase in crops that we produced on the high-priced stuff just about barely paid the bill.

Senator SMOOT. The western people do not expect any such price, or do not want any such price, and if they get in operation they will meet the German competition better than most other manufacturers in this country can meet it and much lower than many of the other manufacturers are asking to be protected against Germany.

Mr. MINCH. We are just plain practical farmers and we are not prejudiced against any particular industry. I hold no brief and represent no fertilizer combinations of any kind whatsoever. We are not dealers in or manufacturers of fertilizer, but we are just plain practical growers of farm stuffs and vegetables. We are orchardists also. However, we know that New Jersey needs potash and needs it in large quantities, and under our present economic conditions we need at the lowest possible price, because we are

compelled to buy farming implements and other supplies at high prices. You know the farmer pays the last price on most everything he buys and he sells at the first price. What the consumer pays he knows nothing about, but when he finds out he is amazed. If we had some way to take care of our costs, we would take care of the profits other ways.

Senator SMOOT. How much fertilizer do you use to the acre?

Mr. MINCH. Two thousand pounds.

Senator SMOOT. And these three units would be 60 pounds, and at 1 cent a pound it would be 60 cents.

Do you think that is extremely high?

Mr. MINCH. You can not grow potatoes on 3 per cent.

Senator SMOOT. What do you want to grow them on?

Mr. MINCH. Eight per cent goods, not less; 160 actual potash per acre.

Senator SMOOT. That would be \$1.60 per acre?

Senator JONES. No. At 50 cents a unit it would be \$4 an acre, would it not?

Mr. MINCH. Yes, sir. The tariff, as I understand, it is 2½ cents per actual potash.

Senator SMOOT. The first year; the second year, 2; the third year, 1½?

Mr. MINCH. One hundred and sixty pounds means that it cost us \$4 per acre, if we pay the tariff, on each acre of potatoes; that is what it means.

We are pleased with the present prospect of buying potash, because we shall not only use as much as we have been using but double our consumption: The use of potash in the Atlantic States, New Jersey particularly, is not one-fourth what it should be.

Senator SMOOT. I do not think you will get much benefit out of fertilizer, considering what the man who makes it is going to charge you.

Mr. MINCH. You are not compelled as a farmer to buy of the fertilizer man. There is no mystery about fertilizer. It is composed of just a few things, and you can get them yourself and mix them and put them on the ground and cut out all the manufacturers' profits. We can make 4-8-8 fertilizer for \$25.

Senator McLEAN. Do you mix your own fertilizers?

Mr. MINCH. We mix our fertilizers largely.

Senator McLEAN. Then you have to buy the potash?

Mr. MINCH. We buy from the exporter or jobber. We buy in the competitive market the fertilizer we need wherever we can buy the cheapest. At retail to-day in our section the price is \$42 for 4-8-8, and we know that the raw material can be bought in carload lots and mixed for less than \$25.

Senator SMOOT. You mean you can make it at \$25?

Mr. MINCH. We can make it at \$25.

Senator SMOOT. And they charge you \$40?

Mr. MINCH. That is about the price.

Senator SMOOT. And at their present cost of manufacturing, they are making \$15?

Mr. MINCH. I do not know what their overhead is.

Senator SMOOT. You know this, they are selling at \$40, and you say you can make it at \$25, and there is \$15 there, for surely they can make it as cheaply as you can.

Mr. MINCH. We have figures by Dr. Lippman, of the New Jersey Experiment Station, on 5-8-8 fertilizer, if you would like to know the cost. He says it can be mixed at \$24.90.

Senator SMOOT. And what do you have to pay the fertilizer manufacturer?

Mr. MINCH. Nitrate of soda, \$52; sulphate of ammonia, \$57; 10 per cent tankage, \$40; acid phosphate, \$14; and potash, \$45.

Senator SMOOT. I mean the same product that can be made by you at a cost of \$24.90, if you got it from any fertilizer manufacturer, what would you pay?

Mr. MINCH. You would have to pay spot cash in 100-ton lots about \$38, while the retail price is \$42. We believe we can mix it at \$12 to \$15 less—we do not believe it, we know it.

Senator SMOOT. How much?

Mr. MINCH. \$12 to \$15 less than the manufacturers' prices. I do not know anything about the combination among fertilizer dealers; I do not know their game. I only know our game, as a producer, because we are obliged to produce our stuff at the lowest minimum cost, and fertilizer is one of our chief items of expense.

Senator SMOOT. Do you think if it were absolutely necessary to keep the American industries here going that out of the \$15 it would be asking very much for those good people to allow 60 cents?

Mr. MINCH. I do not know anything about the fertilizer people. It passed my understanding long ago.

Senator McCUMBER. Is that all?

Mr. MINCH. Unless you wish to ask questions.

Senator JONES. Do you happen to know the price of potash which was figured on in the estimate you have there?

Mr. MINCH. \$45 a ton.

Senator JONES. You mean the pure potash?

Mr. MINCH. No; that is not the muriate; that runs 50 per cent pure.

Senator JONES. It would be \$90 per pure ton?

Mr. MINCH. Yes.

Senator JONES. Or 90 cents per unit?

Mr. MINCH. That is it; 90 cents per unit.

STATEMENT OF HON. JOHN S. BENHAM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA.

Representative BENHAM. I represent the fourth district of Indiana in the House and when not acting as a Member of Congress my most serious business is agricultural pursuits.

During probably 10 years prior to my becoming a Member of the Sixty-sixth Congress my main business was buying run-down, worn-out farms that nobody wanted and attempting to refertilize them, repair buildings, and, in short, I was something of a doctor of sick farms. I relied on two agencies: The very liberal use of potash and, of course, the use of clover. My supply of potash was from two sources. I operated a sawmill, the fuel of which was

entirely wood; I also operated a flour and grist mill, the fuel for which was mainly wood. I probably produced in that way not less than 50 tons of ashes per year, on an average of 260 pounds of potash per ton of ashes. I found that the very best medicine for old land. You would understand that land which has been recently cleared of timber and the timber largely burned on the land has an abundance of potash.

Senator SMOOT. You burn sawdust for fuel, too?

Representative BENHAM. Yes. Land on which the timber has been burned does not need any potash for some years.

I would have spoken of several other points, which I shall not do, as they have been covered better than I could by the first speaker on this subject; I should have added that I have made quite large use also of commercial fertilizer rich in this one element, potash, and using from a few pounds of potash per acre up to 100 pounds, owing to the crop I wanted to produce, the condition of the soil, and the time I had for building up the farm.

The whole delegation from Indiana in the House, including myself, are high protectionists. I do not need to give out any family secrets. I am speaking on the potash question from the standpoint of a high protectionist for all promising American industries. However, the element potash is protected at the rate of 25 per cent ad valorem in the chemical schedule, which we agriculturists do not oppose.

I am speaking against the tariff on agricultural potash, because I do not believe—I have seen no evidence, no statistics anywhere that makes me believe—that it is or is likely to become a promising American industry.

Senator SMOOT. Have you ever been out West?

Representative BENHAM. I have not; I have been a student of economics for many years, and I know a little about the conditions.

Senator SMOOT. Have you ever been to Searles Lake.

Representative BENHAM. I have not.

Senator SMOOT. Do you know anything about that?

Representative BENHAM. I know it only by reading and by Geological Survey reports. I know that they have had—with all due respect to the Senator—practically a monopoly of the fertilizer business since 1914, and I do not agree with your figures.

Senator SMOOT. Who has had a monopoly?

Representative BENHAM. The fact that we were in war, or rather Germany was in war, has prevented Germany from being a serious competitor with producers of potash in this country.

Senator SMOOT. Our producers were not ready to produce, many of them, until this year.

Representative BENHAM. The point is, have we any evidence of the fact that they ever will be ready to produce, commercially, agricultural potash?

Senator SMOOT. If you will take a trip out there—and I will pay your expenses if you say they are not prepared to do it.

Representative BENHAM. That is generous; I will take the matter under consideration. [Laughter.]

But it is true that California has a large supply and has been producing, and yet California is an importer of potash. It is true, also

that several of the boric lakes—brackish lakes and springs—have been producers of potash. It is also true that experience has shown that the injurious effects of the element that is not readily separated from the potash is greater than the beneficial effects of the potash; and so through the central part of the country you would have some difficulty in selling at all the potash that is produced farther west than Nebraska.

Senator WATSON. What is the injurious element?

Representative BENHAM. Borax is one that is most commonly found to be in it.

Senator SMOOT. That is in California; there is not a particle of borax in the potash produced in the State of Utah, not a trace.

Representative BENHAM. I can not speak with absolute authority, since, as the Senator says, you have not produced in commercial quantities.

Would it not be cheaper to offer something like a bonus? We sometimes offer a bonus on things produced in comparatively small quantities. That was done on sugar some years ago, which suited me very well; speaking from the standpoint of a protectionist one would feel that it might be a fine idea to offer a bonus on American potash.

But, coming back to figures again, I do not find any evidence of any single year where the American producers have produced more than one-eighth of the amount demanded and needed—I should, I think, say the amount used, as the amount demanded and needed would be very much greater. The largest amount produced in any one year in the United States was about 48,000 tons. They say that we can produce 54,000 tons, but we have not done it, and 48,000, as far as I can find, are the extreme figures.

On the other hand, 375,000 tons have been used by the American farmer, and a vastly greater amount is now needed, owing to the fact that not enough potash was used during the war.

Senator SMOOT. I do not know where you get your figures from.

Representative BENHAM. I want to be as fair, but I can not be as generous, as yourself; I will not pay your expenses to school to learn those figures, but they can be readily found if you are interested.

Senator SMOOT. You can not get them from the Government.

Representative BENHAM. One other point that I think it is hardly necessary to speak about is the condition of the American farmer during the present and the past year. The farm renters of the Middle West have not been able to earn, or, rather, have not been able to collect, more than 5 or 6 cents per hour for their labor while producing their crops on the average rental of one-half of the crop; and, of course, those who have families can not live on that—just speaking in a personal way, the thrifty renter on my own farm has a family of seven children—I know that he and his wife and children can not live decently on his one-half of the crop; and I do not expect it of him.

The farmers as a class—farm owners and more especially those who are in debt—it is not necessary for me to tell any Senator what their conditions are. There are thousands and hundreds of thousands who will lose their all should conditions that are maintaining now continue for one more year.

The tariff of 50 cents a unit would be a burden on the American farmer, of from 50 cents to \$50 per acre, and I think my State uses more potash than any other.

Senator WATSON. Does Indiana use more potash than any other State?

Representative BENHAM. That is my understanding. I do not care to go into that, however.

Senator WATSON. In the muck lands wherever it has been swampy they use large quantities, I understand.

Representative BENHAM. Lands that have been drained, the first crop or two, the wheat or the oats has a tendency to fall, and vast amounts of potash are necessary to stiffen the straws.

In the hearings before the Ways and Means Committee of the House the potash producers and the potash distributors in America were heard. They presented their case very well, indeed. The farmers who are paying the bills directly were not for any considerable length of time heard. The people who finally pay the bills, the 100,000,000 Americans who are interested in both the price and the quality of the fruits, the grains, and vegetables, have not been heard. It is a well-known fact that not only are fruits and vegetables produced much more cheaply by the use of potash, but their keeping qualities are very much improved.

I had thought just a little of telling some secrets, and yet I think possibly it is not desirable to do so. I should like to state only this: We agriculturists of the House had the understanding, after a talk with one of the members of the Ways and Means Committee, that this element in which we were interested was to be on the free list. We learned later on that there was a tariff of 2½ cents per pound, or \$50 per ton. We then asked that this one item be submitted to a vote of the House, and that request was refused.

I have only this one request to make, that the Senate return this bill to the House in a shape that will allow the rank and file of the Members of the House to have a square vote as to whether this item shall or shall not be taxed.

STATEMENT OF DR. FRANK APP, REPRESENTING NEW JERSEY FEDERATION OF COUNTY BOARDS OF AGRICULTURE AND NEW JERSEY STATE GRANGE, TRENTON, N. J.

Dr. APP. I am representing the New Jersey Federation of County Boards of Agriculture and the New Jersey State Grange, the two big farmers' organizations in New Jersey.

I shall just take up a few of the things which have not been mentioned by the preceding witnesses, particularly cost to the individual farmer of the potash tariff as it exists in H. R. 7456, paragraph 1635.

The cost to New Jersey, which is a small State and consumes about 160,000 tons of fertilizers of 4 per cent potash, which was used after the price became very high—this tariff of 2½ cents a pound for potash would cost New Jersey \$320,000, or about \$11 a farm as the average.

The tariff cost of 8 per cent goods, which is largely used now, would be approximately \$22 per farm, or \$640,000 for the farmers of the State.

To show what this means to some of the individual producers of crops, I shall first use potatoes, which were mentioned awhile ago,

and which are quite important in the State, making a typical example. We find that by using a ton to the acre of 4-8-6 goods, as represented by Mr. Minch, it would mean a tariff tax of \$3 per acre for the man who is growing potatoes in New Jersey.

The typical New Jersey potato grower, who produces about 40 acres of potatoes, will be charged \$120 for the potato crop to support this tariff—that is, on the basis of 6 per cent and not 8 per cent goods.

To take 8 per cent goods, which most farmers use, it would mean \$160 per farm, or 2 cents a bushel tariff cost to the potato grower.

Mention was made about the profit which the farmer made growing potatoes during the war. I will give you the cost of growing potatoes in New Jersey in 1914 and following years for a typical farmer who grows approximately 40 acres of potatoes and whose receipts come largely from potatoes, so they call him a "potato farmer"——

Senator WATSON. How much do they raise to the acre?

Dr. APP. From 200 to 250 bushels to the acre. I will just mention a little about the cost of potatoes in 1914, before the war: The cost for 1914 was \$85; in 1919 it was \$185; in 1920 it was \$205; in 1921 it was \$159, the cost now decreasing with the price of materials. So that although we did get a higher price for potatoes during the war it cost us about two and a half times as much to grow them.

Senator SMOOT. How much fertilizer do you buy for that 40 acres?

Dr. APP. A ton to the acre of 8 per cent goods.

Senator JONES. Eight units per acre?

Dr. APP. Yes.

Senator JONES. At \$4.50 a unit?

Dr. APP. That is taken from actual conditions in our State and is typical of our potato farmers.

If we consider the tomato men, who apply about a half ton instead of a ton per acre, and who use about the same goods as they do for potatoes—that is, the same amount of potash—it would mean approximately \$2 an acre, and they ordinarily grow an average of 10 acres per farm or \$20 per farm for the tomato men.

Senator SMOOT. Why have you made any difference in the cost of your fertilizer—do you mix your fertilizer?

Dr. APP. I am speaking now of the cost to the farmers of New Jersey, based upon the increase from tariff of 2½ cents per pound.

Senator SMOOT. This does not show that the fertilizer manufacturers will charge any less for your fertilizer, even if they paid this tariff. You think if they charged \$40 a ton now they would charge \$65 for it if the tariff were added?

Dr. APP. As Mr. Minch has stated, they can and do buy their raw materials. I might add that farmers' organizations are now buying raw materials instead of mixed fertilizer, and in that way they make their own brand, and it means increased cost to the farmers if tariff is added.

Senator McCUMBER. You do not fertilize each year on the same land?

Dr. APP. Yes; we do.

Senator McCUMBER. If you fertilize one year, does that fertilizing only raise one crop?

Dr. APP. It will only raise one crop.

Senator McCUMBER. And you have to fertilize each year?

Dr. APP. Every year; and the same amount where potatoes are grown, year after year in the typical potato section of the State.

Senator SMOOT. Every year?

Dr. APP. Every year. And the same thing would apply practically to Long Island, but there they are not growing so consecutively, year after year, but they use a ton per acre. That would apply down the coast as well.

Senator McCUMBER. Do they grow crops of cereals usually one about every third year?

Dr. APP. If they follow with cereals they will use a much smaller amount of fertilizer, from 300 to 500 pounds, that being the amount they ordinarily use for cereals.

Senator McCUMBER. And use it every year?

Dr. APP. Every year; yes. We use a larger amount in New Jersey than they do in the Western States. We use it regularly on most all crops.

The tomato farmer finds it is very hard on him because he is usually not so large a farmer, but it means \$20 per farm for the tomato grower who grows the normal amount in the tomato section. And the same is true of sweet potatoes. They use about the same amount for sweet potatoes, or \$20 for a man who grows the normal acreage. The farmer opposes the tariff as it exists, first, because of the excessive cost to the farmer, when you are charging him about \$12,500,000 to \$15,000,000 for protection to an industry to the extent of \$2,500,000—in other words, you are not only protecting the man who is going to make the potash, but you are also charging over and above that quite a large amount—and, second, because of the poor distribution, as the man who grows potatoes and other vegetables pays an excessive amount of this tariff.

STATEMENT OF H. A. HUSTON, MANAGER OF SOIL AND CROP SERVICE OF POTASH SYNDICATE, NEW YORK, N. Y.

Mr. HUSTON. My name is H. A. Huston, and I am the manager of the Soil and Crop Service of the Potash Syndicate, New York. There is only one potash syndicate, which is the German potash syndicate.

I was told to limit myself to a certain period of time, and I will endeavor to keep within that limit.

Senator McCUMBER. The committee is pleased to have you do so.

Mr. HUSTON. What I have to say is in support of a request that the proviso at the end of paragraph 1635 be amended by changing the colon after the word "for", in line 13, page 193, to a period, and by striking out the remainder of paragraph 1635.

Over 95 per cent of the materials mentioned in this paragraph are used in agriculture to produce larger and better crops at less cost per unit of crop.

The proposed duty of 2½ cents per pound on potash used in agriculture is from 66 to 90 per cent of the present American wholesale prices of the potash in these salts.

These potash compounds used in agriculture have always been on the free list.

All attempts to place duties or embargoes on them have failed.

In the Sixty-fifth Congress Senate bill 5557 proposed a license control of imports of potash salts for two years, after which the importations were to be free again. Extended hearings were had on this bill in February, 1919. It was never reported to the Senate.

In the Sixty-sixth Congress House bill 4870 proposed a license control of imports of potash salts for five years after the proclamation of peace, and a duty of 10 cents per unit thereafter. Extended hearings were held on this bill in June, 1919. It was never reported to the House.

The two-year period in the Senate bill above referred to and the five-year period in the House bill were understood to mean that at the prices proposed in the bills the American producers could, in from two to five years get back all their investments, and in addition a satisfactory profit. For more than two years the price of German potash averaged more than the prices fixed in those bills. The fertilizer consumption in 1920 was the highest ever known in the United States. There was an active demand for potash. The German prices were maintained until the end of March, 1921. The American potash industry had ample time and opportunity to adapt itself to the new conditions in world commerce; yet in the present bill it asks for a protection starting at five times as great as in the House bill of the Sixty-sixth Congress and extending two and one-half times as long as in the Senate bill of the Sixty-fifth Congress.

The record of the tariff hearing before the Ways and Means Committee of the House of Representatives of the present Congress shows that two persons, Mr. H. W. Smith, Chief of the Division of Mineral Tariffs, American Mining Congress, and Mr. W. La Roe, representing the United States Potash Producers' Association, were heard in support of the proviso at the end of paragraph 1635, placing a duty on potash for agricultural use. There is no record of any one being heard on behalf of the consumers of potash for either agricultural or chemical purposes, or on behalf of the importers or the producers of foreign potash.

It is fair to assume that the proviso at the end of paragraph 1635 levying a duty for 5 years on imported potash salts, and even on common wood ashes, was based on the representations of these two parties.

It is, therefore, proper to examine the representations made, with a view to judging of their correctness in point of fact and their soundness from an economic standpoint.

Mr. Smith (page 3488, Tariff Hearings) contends that the price of potash advanced between 1913 and the present from 75 cents per unit to \$5.50 per unit; and that the price of fertilizer advanced from \$25 to \$60 per ton in the same period. He figures that the potash ratio advance was from 1 to 18, and the fertilizer ratio from 1 to 2. As most of the fertilizer sold during the war contained no potash, these two statements have little or no connection with each other, and \$5.50 is not eighteen times 75 cents, but only seven and one-third times.

On page 3507 Mr. Smith gives a table purporting to show the amounts of potash imports, foreign and domestic costs of production, rates of foreign exchanges, prewar prices, present prices, and the approximate investment in the American potash industry.

Every one of these items is grossly incorrect; yet from them he arrives at the conclusion that the duty on potash should be exactly 50 cents on a unit of 20 pounds, or \$50 per ton of actual potash.

Mr. Smith states that the American investment in the industry is approximately \$45,000,000.

Mr. La Roe, who represented the United States Potash Producers' Association (Tariff Hearings, pp. 3992-4012), foots up the "invested capital" at \$28,696,142, but does not state how much of this was real money.

Mr. La Roe bases his arguments for a duty of 50 cents per unit mainly on the following statements:

1. That the normal consumption of actual potash in the United States is 250,000 tons.
2. That the percentage of potash in mixed fertilizer is low, and hence the tax per acre that this duty would impose on the farmer would be small.
3. That it would fall almost wholly on the Southern States.
4. That the average cost of production in the United States is \$2.04 per unit.

A brief examination will show that these statements are no more accurate than those of Mr. Smith referred to above.

There is no fixed amount that represents the normal consumption. Nearly all "authorities" and "experts" on the subject treat the imports of potash from Europe as equal to the consumption of potash in the United States. This is not true, because many thousands of tons of potash contained in cottonseed meal, tobacco side products, ashes of various sorts, packing-house side products, garbage, guano, and other miscellaneous sources have always been used in fertilizers. There have also been imports from Great Britain, from Asia, and from South America.

If there is any such thing as normal consumption of potash, it is represented by a percentage of the amount of the fertilizer sold in a given year. In 1910 this was fully 5 per cent, taking all sources into consideration. In 1920 there were sold in the United States 7,654,239 tons of fertilizer. On this basis the normal demand for consumption in 1920 was 372,000 tons actual potash, or 230,000 tons more than the imports from Europe for the fiscal year ending June 30, or 194,000 tons more than the imports from Europe for the calendar year 1920, and seven times as much as all the American plants ever produced in any year.

Moreover, the percentage of potash in fertilizers steadily increased for many years preceding the war, and as soon as more stable conditions are established this increase will continue.

The statement that the per cent of potash in fertilizers is small is based on the composition of a few brands of fertilizer made in the spring of 1919, before the potash imports were resumed and when the price of potash was many times what it is now. Even at that time farmers demanded some potash in truck, tobacco, and potato fertilizer, but could get only from 1 to 3 per cent, for which they were compelled to pay \$5 or more per unit. This class of fertilizers normally contains from 4 to 10 per cent of potash. On cotton kainit, containing 12 to 15 per cent potash, is used, to prevent rust, and muriate and sulphate of potash, containing 50 per cent potash, are used on

hundreds of thousands of acres of northern muck lands, for the production of truck, potatoes, corn, peppermint, onions, and other special crops.

The proposed duty means a direct tax of 62½ cents on a 200-pound bag of kainit and \$2.50 on a 200-pound bag of muriate or sulphate. Farmers will not view this extra charge of from 60 to 90 per cent as a small matter.

The duty will not fall wholly on the 11 cotton States. In 1920, 40 per cent of the fertilizer was used in the Northern States and 60 per cent in the South. The 10-year rate of increase in the use of fertilizers in the South was 28.5 per cent and in the North 46.12 per cent.

The per cent of potash in fertilizers in the North is higher than that in the South, so that the burden will fall nearly equally on all farming sections where fertilizers are used, and especially heavily on Indiana, Michigan, Illinois, Ohio, New York, and New England.

Mr. La Roe states that the task of arriving at the cost of producing American potash "has been a most difficult one." He reports the cost at three typical Nebraska plants at from \$1.88 to \$2.14 per unit and at one typical California plant at \$2.12 per unit, with an average of \$2.04 per unit.

Since it became known that the tariff bill proposed a duty on agricultural potash I have received proposals to purchase two potash properties, one in California and one in Nebraska. In reply to the question of how much it costs them to produce, one replied that it could be placed on the cars at the property for the then selling price on the east coast (75 to 85 cents per unit), while the other submitted figures of the cost of the plant, the daily tonnage produced, the men employed, wages, cost of fuel, royalties, and other data, from which it appeared, after making liberal allowances for maintenance, interest on investment, and for amortization, a unit of potash could be produced at this Nebraska plant (which the selling agent said cost \$500,000) for less than 55 cents per unit. This is 20 cents per unit, or 36 per cent, less than the prewar price, and less than the present price of potash at Atlantic ports, while the average of the two is only one-third of the estimate obtained with so much difficulty by Mr. La Roe. Yet the alleged cost of production is the main reason for asking for the proposed duty.

It is freely admitted by everyone familiar with the potash industry that certain groups of the American works producing potash during the war can not produce at a profit in peace times. The works in these groups were closed immediately following the armistice. The works operating since include those making potash from saline lakes and those recovering small quantities from side products. Mr. La Roe shows (p. 3993) that in 1920 these salines produced 38,127 tons of actual potash, or 79 per cent of the 48,684 tons produced in American works. Some of these works report a cost low enough to permit them to operate, provided they are satisfied with a profit not greater than that earned by the European producers. Others report a cost of production so high that no reasonable duty would permit them to operate at all.

In any event, there is no possibility of producing in the United States more than a small fraction of the potash that can be profitably used in American agriculture, and which must be used if farmers are

to receive the best returns consistent with maintaining the productiveness of their lands.

In 1920 Mr. La Roe reports that 53 American potash works produced 48,684 tons of actual potash. It is customary and profitable on the potash-hungry muck lands of Indiana, Illinois, Michigan, and Wisconsin to use 100 pounds of actual potash per acre. At this rate the 1,000,000 acres of muck land in Indiana could have used the whole American production. Illinois has 2,888,000 acres of such land; Michigan, 4,400,000; Wisconsin, 2,500,000; and Minnesota, 4,500,000 acres.

There are in the whole United States 74,481,700 acres of surveyed lands of this kind, all of which is potash hungry and much of which can not produce profitable crops without the use of far more potash per acre than is used on ordinary farm lands.

The German potash law prohibits under heavy automatic penalties the export of potash at less than the selling price in Germany. This law was passed as a conservation law, but so far as countries outside of Germany are concerned it acts as the most effective anti-dumping law ever enacted.

The argument that the American potash is far from the market and has to bear excessive freight rates will not hold.

California imports potash for agricultural use and can use more than was ever produced in that State.

The Nebraska works are as near the best future potash market in the world as are the ports at which European potash reaches the United States.

The plants producing potash as a by-product are located in sections where fertilizers are in common use and need not go far for a market.

European potash is handled at least eight times before it gets to an American farm and carries a European rail freight charge, a river freight, an ocean freight of 3,500 to 4,500 miles, river and ocean insurance, consular fees, and entry fees before it is unloaded in an American port. This in itself is no small protection to the American industry.

The potash salts listed under the chemical schedule are fully protected by a permanent duty of 25 per cent and an additional temporary duty of 15 per cent for five years in paragraph 75. So this deals solely with the agricultural potash.

During the last 10 years, ever since the initiation of the late lamented potash controversy, all sorts of stories have been circulated about the Potash Syndicate, and what they did, and all that sort of thing. The Potash Syndicate, with which I have been connected 19 years—

Senator SMOOR (interposing). You mean the German Potash Syndicate?

Mr. HUSTON. Yes, sir; the German Potash Syndicate. I have been connected with that syndicate for 19 years, and in that time we have never failed to give anybody all the information they asked for which we could obtain. We are quite willing to do so now, and if you want any information about the German syndicate, if you will be kind enough to ask the German Potash Syndicate for it, they will be pleased to furnish the information, and you need not feel obliged to get it from people who are misrepresenting things.

Senator SMOOT. You are a potash propagandist, are you not?

Mr. HUSTON. I am not; I am the manager of the soil and crop service.

When the word "propaganda" got so common that the colored people are using it, I had to change my description. But I was a propagandist for the Potash Syndicate when there were only two propaganda bureaus in the United States, and people used to think they were connected with the Church of Rome, the word was so unusual.

Senator SMOOT. You do not look like you were ever connected with the Church of Rome.

Mr. HUSTON. I might look better if I was connected with some church.

Senator SMOOT. But you have been a potash propagandist for a long time?

Mr. HUSTON. When I left the directorship of the Indiana State Experiment Station, in 1903, I went with the potash people to represent their agricultural interests in potash matters, and I have been with them ever since.

Senator SMOOT. You have been with the German syndicate, then, for a long time?

Mr. HUSTON. That is what I say, I went with the German syndicate after leaving the Indiana Experiment Station, in 1903.

Senator SMOOT. But do not call the American farmers the German Potash Syndicate.

Mr. HUSTON. Do not, please, do that.

STATEMENT OF WILBUR LA ROE, JR., WASHINGTON, D. C., REPRESENTING THE UNITED STATES POTASH PRODUCERS' ASSOCIATION.

Mr. LA ROE. Mr. Chairman, I appear on behalf of the United States Potash Producers' Association. I shall show my gratitude for the courtesy extended to me by the committee last evening by making my remarks brief and to the point.

I desire to refer, first, to the character of the opposition.

You were addressed yesterday by Mr. Crenshaw, a fertilizer manufacturer, who made also a vicarious presentation on behalf of the American farmer, whom he does not represent. He was followed by a farmer, who testified that he can mix fertilizer himself for \$24.50, which he buys from Mr. Crenshaw, or from the people for whom he speaks, for from \$38 to \$40 a ton.

Mr. Crenshaw showed considerable excitement over a tariff which may mean \$1 to the ton of fertilizer, but he failed to show any excitement at all over the difference between \$24.50, the farmer's mixing cost, and \$38, the price charged by the manufacturer.

I am advised by my clients that the Virginia-Carolina Chemical Co., of which Mr. Crenshaw is vice president, is financially interested in certain German potash enterprises; that it has important holdings in the German potash mines.

I have before me the report of the Federal Trade Commission for the year 1916 containing, opposite page 184, a complete outline of the Virginia-Carolina Chemical Co.'s holdings, with affiliated companies, and that chart shows that the Virginia-Carolina Chemical Co. is directly affiliated with the German Gewerkschaft-Einigheit, Fallersle-

ben, Germany, the capital stock outstanding being 6,591,872 marks. The Virginia-Carolina Chemical Co. owns 50 per cent of the stock of this company, which has potash mines in Germany and does no business whatever in the United States.

This shows also that the Virginia-Carolina Chemical Co. is affiliated with the Chemical Works, Schönebeck, Germany, the capital stock outstanding being 1,850,000 marks. The Virginia-Carolina Chemical Co. owns 90 per cent of the stock of that company, which does no business whatsoever in the United States.

Mr. Crenshaw also told you that 34 American consumers of potash have contracted to buy 75 per cent of their requirements from Germany for the coming season. He left with you the impression, which is entirely incorrect, that the remaining 25 per cent of their requirements is available to the American producers of potash. That, however, is not the fact. Within the last few weeks those fertilizer manufacturers have contracted with the Alsatian or French producers of potash for the remaining 25 per cent of their requirements. I will say at this point that there are 204 potash shafts in Germany, of which 17 only are in Alsace, and the Alsatian mines are now under the same sort of trust or syndicate regulation that the German mines are.

I should like, with your permission, to file in the record a copy of the French contract. These contracts will show that 75 per cent plus 25 per cent of the requirements of these 34 American companies have been contracted for with these foreigners.

Senator SMOOT. He testified also that the 34 manufacturers use 60 per cent of all the fertilizer in the United States.

Mr. LA ROE. Yes; and that, we believe, is an exceedingly low estimate. He also testified that the freight rate from California to the Atlantic seaboard is 50 cents per unit of potash. The freight rate from California has been reduced to \$18 per ton. A ton of California potash, which is 60 per cent potash, contains 60 times 20 pounds, or 1,200 pounds of pure potash. There are 20 pounds to the unit. Divide 20 into 1,200 pounds and you get 60 units to the ton. The freight rate on those 60 units from California to the Atlantic seaboard is \$18 per ton. If you divide 60 into \$18, you do not get 60 or 50, you get 30, for the maximum haul; that is to say, the farthest haul that is possible. Mr. Crenshaw did not see fit to mention the fact that the California producers are in a position to use, and have been using to some extent, the water routes. Nor did he mention the fact that one of the most promising potash fields in the United States is in New Jersey, where the freight rate to the Atlantic seaboard will be absolutely nil.

It is impossible, by any fair calculation, to figure out a freight rate of 50 cents per unit from any part of these United States to the Atlantic seaboard.

The next two speakers were both farmers representing the potato growers of New Jersey. If I had the time I could show you that the tariff on potash, even if the potato industry paid it all, would amount to only a few cents per bushel. As I remember, one witness said 2 cents a bushel on potatoes.

The third witness was Mr. Benham, an enterprising rejuvenator or rehabilitator of dilapidated farms, who conceded that potash is an

indispensable commodity in his business—a commodity that he uses in the process of rehabilitation—but he says he prefers to get it from Germany.

He says that he learned what he knows about potash at school, but he does not tell us what his school was. One of the things that he learned about potash in school was that while the American producers may hope to produce 54,000 tons of potash, they have not yet done so. I have before me a report of the United States Geological Survey showing that in 1918 the American producers actually produced 54,803 tons of potash. That was sufficient for the entire American demand at that time at war prices. The war price was very high. The farmer could not freely use fertilizer at \$4.50 per unit. We supplied, during the war, the entire American demand at the war price then existing, and we were ready to double the output at any time that the American farmer would take the supply.

The next speaker was Mr. Huston. Mr. Huston spoke as if he represented the American farmer. The fact is that Mr. Huston is the accredited representative in this country of the German Kali Syndicate—the German trust.

Senator SMOOT. That is generally known.

Mr. LA ROE. Mr. Huston is here and may deny it if it is not the fact.

Gentlemen, that is the character of testimony which you had before you yesterday with regard to the proposed tariff.

If this tariff is going to hurt anybody, it is going to hurt the American farmer. Where was the American farmer on yesterday? Where was the farmer of the South, who uses more potash than any other farmer in the country? West of the Mississippi they do not use potash, except in California. That is why the western farmer was not here. In the States of Ohio, Illinois, and Indiana they use very little fertilizer. I think it is a fair statement that north of the Ohio River it is principally used in truck gardening.

Where was the American Farm Bureau Federation, which has its offices in Washington? Where was the National Grange, with its offices in Washington, representing thousands of farmers throughout this country? Where was the National Bureau of Farm Organizations, representing thousands of farmers? They did not appear before the House committee; they have not appeared before this committee. Why didn't they appear? I will tell you why they are not here. The reason is fully set forth in the November issue of the Farm Journal. That periodical, gentlemen, goes to 1,000,000 farmers in the United States. That Journal will tell you better than the representative of the Kali Syndicate why the American farmer was not represented here. May I quote just a few lines from this article?

It is not necessary to remind Farm Journal readers of the tremendous importance of potash in soil building and crop feeding, as proved by the Pennsylvania, Ohio, and Illinois experiments. In an article more than a year ago I explained why farmers would be best served if there were permanent open competition between foreign and American potash, both as to quality and prices. The matter is just as vital as it ever was—more so, if anything—and here is the situation up to date.

Then follows a discussion of this pending tariff which is now before you, followed by a statement showing what the tariff will

mean at a maximum from 10 cents to 40 cents per acre of crops. Then comes the following:

The first thing that would happen would be the ample capitalization and development of American potash—escape from the most ruthless and corrupt and hostile monopoly in existence. The German will be changed in the twinkling of an eye from the highwayman who has been sandbagging to an outwardly gentlemanly competitor for American business. You would pay the enormous sum of \$5 or \$10 (maybe \$20) to bring the price of potash down below prewar prices by the time the tariff has lived out its limited period of five years. The small investment of to-day will return nearly 40 per cent dividends every year. And if you feel as I do you will be glad, too, that the rest of the non-German world has been liberated from a food-supply monopoly through your own courage and foresight; for, given the chance, the American potash will enter the world's markets in competition with that of the great conspiracy.

Gentlemen, we may as well face the facts plainly and without equivocation. The fact is—and the American farmer knows it, and that is why he was not here yesterday—that if this tariff is denied the German Kali Syndicate, the greatest monopoly in the world, will be restored to its position of unmolested domination. There is no one who denies that, and the question which you have to solve is whether you desire to see competition in this industry between the Americans and the Germans, or whether you desire to turn the American farmer over, as he was turned over a few years ago, to the merciless monopoly of the German syndicate. I shall not dwell on that, but it seems to me that in the interest of the farmer some competition should exist.

Representative Hutchinson, of New Jersey, is a gentleman who has always spoken in behalf of the farmer. I believe he is not here this morning. I am sorry, because I want to quote from one statement that he made before the House committee when the licensing bill was up for consideration. He said:

I do not know just what the American manufacturer wants, but I am absolutely opposed to a license system. * * *

Personally, I do not believe that the average farmer would object to a duty of 25 cents or even 50 cents per unit on actual potash if that would help our manufacturers of American potash, but with that I can not see how they can compete with foreign producers. * * *

I suggest that if it is necessary to protect the potash industry of America, we ought to put on a duty of 25 or 50 cents a unit.

We ask no greater duty than Mr. Hutchinson himself suggested as reasonable.

Now, just for a moment let us see the real effect upon the farmer. Down South, where potash is principally used, they use about 500 pounds of fertilizer to the acre of cotton. The fertilizer that they use down there is 2-8-2. That is the trade designation. It contains 2 per cent of potash, or 40 pounds to the ton. If they use 500 pounds of fertilizer to the acre, 2 per cent is potash. That makes 10 pounds of potash. The maximum tariff on potash that we ask is 2.5 cents a pound; 2.5 cents a pound multiplied by 10 pounds is 25 cents to the acre. In other words, even down South where they use so much potash on their cotton it figures to the acre only 25 cents. Now, is that so great a burden on the American farmer? In the same way I could prove, as was proved on yesterday, that this tariff amounts to but a few cents a bushel on potatoes. That, I say, explains why the American farmer was not here yesterday. It proves that he is far-

sighted enough to see that in the long run it is to his interest to have fair and open competition between the American and the German, and not to be exposed, as he was before, to the mercy of the German Kali Syndicate.

Senator McCUMBER. To what extent was there a rise in the value of potash during the war?

Mr. LA ROE. It was a very substantial increase. Potash before the war was selling around 75 to 80 cents a unit. During the war it went as high as \$4.50.

We built plants at the urgent insistence of the Government. We built them in a great hurry. We paid war prices for our materials. But there has been a substantial reduction in costs since.

The situation from the German point of view can be best described by a German himself. May I quote from Dr. Wilhelm Ostwald, winner of the Nobel Prize in 1919, and an officer of the German Imperial Government? His statement will be found at page 58 of the testimony before the Committee on Public Lands, June, 1917:

America went into the war like a man with a rope around his neck, which is in the enemy's hands and is pretty tightly drawn. With its tremendous deposits Germany has a world monopoly in potash, a point of immense value, which can not be reckoned too highly when once this war is going to be settled. It is in Germany's power to dictate which of the nations shall have plenty of food and which shall starve. Germany is in the position, often realized by Bismarck, to handle the long arm of the lever. The dearth of potash, as well as the ever-increasing results of the U-boat war, is working in Germany's favor.

That statement was made during the war by an officer of the German Imperial Government, and you are asked here to let that potash in free in the interest of the German Kali Syndicate.

There is one thing that is certain, gentlemen, and every one of you knows it is certain, and that is, that unless you protect the American industry the monopoly of the German Kali Syndicate will be restored and the American farmer will be at the mercy of that syndicate. The situation is practically the same as it was before the war except that I should say, as I believe I have said, that 17 of the 204 shafts that used to belong to Germany now belong to France. That is the only important difference in the situation.

Now, a word about the domestic supply of potash. It has been said that we do not have in this country a sufficient quantity of potash to meet our needs, and that if we had we could not develop it.

In Searles Lake there are 20,000,000 tons, or enough in that one lake to meet the entire domestic demands of the United States for 100 years at the prewar rate of consumption. That is found in the brine, in the salt brine, of that one lake, so that the salt can be pumped right out, the water evaporated, the impurities separated out, and the product shipped.

In Nebraska there are 3,000 lakes and ponds containing potash, only a few of which have been developed.

In Wyoming the leucite rocks, says the Geological Survey, contain 10,000,000 tons of potash, or enough to supply the needs of the United States for years and years.

In Utah we have great deposits.

I should like to have copied in the record a statement of Messrs. Gale and Hicks, of the Geological Survey, showing the tremendous extent of potash deposits in this country.

About 60 or 70 per cent of the domestic potash that comes from Searles Lake is simply pumped out of the lake, and, at some producing points, it is evaporated by running it out on the desert. Solar evaporation accomplishes it.

If we can bring about, as we hope we can, a larger use of solar evaporation, so that the sun's rays can do this work, no German trust can compete with us at the end of the five-year period which is provided for in this bill.

Senator SMOOT. We are using it in the waters of Salt Lake.

Mr. LA ROE. Yes. It is simply a question of extending that to other fields.

Senator McLEAN. How much does it cost per unit when this solar process is used?

Mr. LA ROE. Senator, you have asked me a question that I was going to discuss later.

Senator McLEAN. Very well.

Mr. LA ROE. The capacity of the American plants—and these plants are not mythical; here are photographs of them—at the present time is 100,000 tons of pure potash per annum. Our total normal requirements are 200,000 tons, or slightly in excess thereof. Perhaps 240,000 tons would be a fair figure. But if we can get these plants here in operation—they were in operation a year ago—we can produce nearly half of our total domestic consumption of potash, and there is an unlimited possibility of expanding the plants, building new plants, and developing new lakes.

A word about the quality of the American potash. There has been a great deal of malicious propaganda to the effect that the American potash is full of borax. I want to tell you the truth about that, gentlemen. The truth is that in California lakes there is some borax, and the truth is that under the pressure of war we turned out from the California lakes potash that contained some borax. We were not careful enough under the pressure that existed at that time—the pressure of war and the speed of war—to eliminate all the borax. That borax, if it occurs in sufficient quantities, does do harm to the crop. But there is no part of the United States where borax ever existed in harmful quantities except in the State of California, and in California it has been eliminated. Even Mr. Crenshaw said that. American potash does not contain an excessive amount of borax; it contains so little that it is not harmful to the crops.

When you decide this question as to the quality of American potash what are you going to base your decision on? Are you going to base it on the propaganda of the German Kali Syndicate or upon statements made by me representing the potash producers? Neither one of those sources would be the fairest. Realizing that, we have tried to get at the truth. I will tell you where we went to get the truth. We went into Georgia, into Alabama, and into the Carolinas, because those are the States that use the greatest quantities of potash. We went to the State chemists of those States and got them to analyze German and American potash to ascertain what the truth is in connection with the stories that the American potash is inferior. I will put those statements in the record. However, I should like to read the first one. Mr. J. B. Rather says that—

Americans can make and are making just as good potash as ever left a German seaport. Anyone who persists in believing that the only satisfactory potash bears the label "Made in Germany" is playing directly into the hands of the German Potash Trust.

Then follow similar statements by a number of State chemists as to the quality of potash. I should like to have the privilege of putting these in the record.

Senator DILLINGHAM. Who made the statement that you have read?

Mr. LA ROE. I copied it from page 245 to page 247 of the hearing before the Ways and Means Committee on House bill 4870.

Senator SMOOR. You misunderstood the Senator's question. He asked whose statement that is.

Mr. LA ROE. Oh, I beg your pardon. It was the statement made by Mr. J. B. Rather, State chemist of Arkansas. I have also the statements of the State chemists of Florida, Mississippi, Georgia, North Carolina, and South Carolina. Those are the States that use potash in the largest quantities. In all seriousness, isn't that a fair source to go to in order to determine the true nature of the American potash? These are statements by State chemists who are employed as experts.

I do not want to stand here and contend for a moment that the American potash is superior to the German potash. The truth is if you get a salt that contains 24 per cent it does not make any difference in the world where it comes from. If two salts contain 24 per cent, they are absolutely the same. But this is true, that on the whole the American salts contain a higher percentage of potash than the German salts do. California, for instance, is turning out potash that runs 60 per cent in quality. Mr. Crenshaw said, I think, the highest grade of German potash is 50 per cent. Our potash salts, as a general rule, run higher in potash content, in percentage, than the German salts do and are in no respect inferior to the German product.

Senator JONES. What is the average percentage of the American salts?

Mr. LA ROE. That is a question, Senator, that is as difficult to answer as what is the average in Germany. The fact, as I understand it, is this—that in Germany one of their largest products is manure salt. That contains 12 or 13 per cent. They produce a high grade of muriate and that runs as high as 50 per cent.

As for production in the United States, Nebraska's production will run between 25 and 30 per cent potash, while the California product, as I have said before, runs about 60 per cent, so that it is difficult to strike an average because the percentages vary so greatly.

Senator JONES. Take the Nebraska salts, running from 25 to 30 per cent. Is not the freight rate as high on that salt to the eastern seaboard as the freight rate from California?

Mr. LA ROE. I think it would be a little higher, Senator, because the freight rate, as I understand it, from Nebraska is about \$14 or \$15 per ton. That means, for 25 per cent potash, 500 pounds of pure potash, or 25 units. That would make a higher percentage of

freight charge on the Nebraska product than on the California product. I think you are correct.

Senator JONES. So that Mr. Crenshaw was not far wrong when he spoke of 50 cents a unit freight.

Mr. LA ROE. I think he was if he was trying to show the extent to which we are able to compete with the Germans because this California product can reach the Atlantic seaboard at 30 cents by rail, and perhaps at a lower rate by water.

Senator CURTIS. I think he stated that the freight rate was 50 cents from California to the point mentioned.

Mr. LA ROE. A simple calculation will show that he is wrong, because it is 30, not 50.

Senator JONES. Does all the California product contain 60 per cent of potash? I mean all that is shipped East?

Mr. LA ROE. I will put it this way, Senator: The great bulk of the California potash contains 60 per cent, or nearly 60 per cent; in other words, they produce no low-grade salts, as I understand it. On the other hand, Nebraska salts run between 25 and 30 per cent. They are of the lower grade. You understand, of course, that it makes no difference when you are buying potash for fertilizer whether it contains 24 or 48 per cent.

Senator JONES. I was merely referring to it as having a bearing on the freight question.

Mr. LA ROE. Yes. It does bear on the freight rate.

Senator McLean asked about the present cost. Since there is no plant operating at the present time, I can not give you the present cost, Senator, but I can tell you that when I made my presentation to the House committee the latest figures at that time showed a cost in the neighborhood of \$2 per unit. The last firms which quit operating, which were those in California, by the way, had reduced the cost to nearly \$1 per unit. There has been a tremendous reduction in the cost due to the solar evaporation process, to the reduction of wages to nearly a normal basis, and I may add that there is almost an infinite possibility of saving in the cost of production. Now, the present cost, as nearly as I can estimate, is in the neighborhood of \$1 or \$1.10. I think the latter figure would be a fairer estimate.

The German price, on the other hand, is 64 cents under this contract.

If you will give us 50 cents a unit protection we are confident, gentlemen, that we can then compete with the Germans on that basis and that these 77 plants that produced in 1919 will soon start operating again. Our people are as confident of that as they can be. Of course, we should not stand here and argue in favor of this tariff if it were not going to do anybody any good.

Senator JONES. The present contract price of the potash, if I understand it, is 64 cents per unit and the freight rate per unit from the western source of supply is not less than 30 cents now?

Mr. LA ROE. That is the rail rate. We are planning to ship by water. As you undoubtedly know, ships are already available for almost anything you want to pay for them.

Senator JONES. Do you want to run Nebraska's enterprise out of business?

Mr. LA ROE. No, sir; we do not.

Senator JONES. Then you would have to figure on their situation as well as that of California, would you not?

Mr. LA ROE. We would have to, but do not overlook the fact that there is an increasing demand and use in the central territory. You heard on yesterday a gentleman from Indiana. I think that he made some misleading statements. He said that Indiana consumes more potash than any other State in the Union. South Carolina uses 1,033,887 tons; North Carolina, 961,238 tons; Virginia, 421,484 tons; New York, 410,000 tons; Georgia, 990,919 tons; Alabama, 297,903 tons; and Indiana comes down lower on the list with 241,000 tons.

The western market is more valuable to the Nebraska producers than to any other producer, and it is there that their chief hope lies. The freight rate from Nebraska to Indiana is not 30 cents a unit or anything like it.

Senator JONES. Well, what is it?

Mr. LA ROE. I do not know.

Senator JONES. Well, until you can tell me, I suppose I shall not withdraw my statement.

Mr. LA ROE. I shall be very glad to furnish the freight rate from Nebraska to the Mississippi River. I will also furnish a figure as to what it is per unit.

Senator JONES. If the freight rate on potash from Nebraska to the Mississippi River is low, it must be about the only commodity coming from that section on which the freight rate is low.

Mr. LA ROE. Of course, I mean relatively low as compared with the freight rate from California to the Atlantic seaboard.

I am not going to trespass upon your time further. I want simply to remind you that there is here a great industry; that every one of these plants is in existence; and that every one of those plants is ready to operate.

Sometimes it is well to go back to elementary principles. We were told by the free-trade professors in college that there should not be a tariff on anything, that if a tariff was ever justified on anything it was justified under certain conditions which they outlined, and the first condition that these 100 per cent free-trade professors laid down was that the industry must be required to show that it rests upon a firm economic foundation; that is to say, that it has the raw materials, the machinery, the labor, and the necessary markets.

I think I have shown that we have raw material; that we have machinery; that we have the labor; and that we have the market.

The second principle that was laid down was that the industry should be required to show that the foreign product can actually be marketed in this country to an extent that seriously threatens the welfare of the home industry.

We have shown you that the actual importations of potash into this country last year were 223,000 tons; this comes dangerously close to equaling our total normal consumption; and the boats are arriving almost every day from European ports carrying German potash, which is sold at prices substantially below our cost of production. We have cited the German and French contracts. We feel that we have met to the extent of 100 per cent the second proposition laid down by the free-trade economists.

The third requirement, as stated by the free-trade professors, was that the industry should be required to show that to grant the protection asked will not result in a virtual monopoly here, allowing our own producers to wring exorbitant prices from the people.

It has been shown that the potash plants of this country are widely scattered and in the control of numerous competing companies. The members of this association are in active and constant competition. Not even the semblance of a trust or combination in restraint of trade exists. The innumerable sources from which potash can be obtained, together with its inexhaustible supply, preclude the possibility of a monopoly, so that we feel that we have met this requirement fully.

The fourth proposition was that the industry should be required to show that the amount of protection asked is not excessive; 25 cents to the acre of cotton, or 2 cents to the bushel of potatoes, according to the testimony of a witness yesterday, is such a small amount that the farmers did not see fit to come here to testify about it.

The fifth proposition is as follows:

The industry should be required to show that it is an infant industry.

This industry is only four or five years old. It is truly an infant in the industrial world, born of the necessities which confronted the Nation during the war, but resting on a firm economic foundation which justifies its continuance in time of peace.

The sixth requirement is that the industry should show that to grant the protection asked will produce a reasonable amount of revenue for the Federal Treasury.

It has been demonstrated that our normal consumption of potash is about 250,000 tons; that the maximum production was about 50,000 tons; and that if the balance of 200,000 tons is imported a duty of 50 cents a unit will provide for the Federal Treasury \$10,000,000 annually.

Seventh, the industry must show, although this is not absolutely required, that it is essential to the Nation in time of war.

Do I need to remind you of anything more than what happened when the war came on?

The last thing we have to show is that the industry has a possibility of development.

There is no industry in America with a greater possibility of reducing the cost of its product, extending its markets, and making a success of its enterprise than this potash industry.

In conclusion, I want to say that the bill is not our bill. It is a compromise that was offered to us after an exhaustive investigation by the House committee. It has been decided to limit the tariff to a period of five years and to have a sliding scale to see if we can get on our feet within that time. We believe that we can. We said so to the House committee, and we are ready to repeat here the statement that we believe we can get on our feet if you will give us that sliding scale which the House has agreed to.

Senator Smoot. Do you know of any assurances that the German Government will not interfere with these contracts in just the way it did in 1909, when the Government canceled all contracts made with American purchasers, and then, in 1911, compelled them to enter into contracts on terms that were 102 per cent higher?

Mr. LA ROE. Senator, I can not say what the German Government will do. I can only say that the German Government and the German Kali Syndicate are almost one and the same thing.

I should like to offer an advertisement that will appear in our magazine Potash this week offering to sell Jesse Lake potash at the German contract price plus the amount of the tariff duty contained in this bill.

Senator JONES. How much domestic potash is being marketed now?

Mr. LA ROE. Practically none. The American consumers of potash have huge stores on hand, estimated at 80,000 tons. The German contract calls for 36,000 tons and the French for 12,000 tons at the minimum, so that there is no market just now.

Senator JONES. What is potash selling for now?

Mr. LA ROE. The last quotation that I saw is from a magazine dated December 16, which quotes muriate at from 70 to 75 cents per unit. It varies, of course, between the German price of 64 cents and \$1, I should say. I doubt if it reaches as high as \$1.

Senator JONES. What is the price which will bring about a market for the potash?

Mr. LA ROE. Senator, if you will give us a duty of 50 cents for the first two years and a sliding scale down to nothing—

Senator JONES. That is a promise and a statement which, of course, you believe, but we would rather have the factors which enter into such a statement.

Senator McCUMBER. I have not yet heard what his statement is.

Senator JONES. Well, he is going to say that if they do so and so the result will be so and so.

Mr. LA ROE. I am prepared to say that we can produce potash and sell it in this country at \$1.10. The German contract price is 64 cents. We realize that it is close sailing, but we are going to do it.

Senator JONES. At what price will the American consumer take this commodity? He is not taking it now when it is offered at 75 to 80 cents. If he is not willing to buy at this price, what assurance have we that he would be willing to buy, or rather could afford to buy, at \$1.10?

Mr. LA ROE. The American consumer has to buy his potash somewhere. He is now planning to buy it in Germany at 64 cents a unit. If you want him to buy it in Germany, that settles the question. If, on the other hand, you want him to buy in America, he must pay a reasonable price for it. If the full amount of duty is added to the German price of 64 cents it will make a price of \$1.14.

Senator JONES. But you say there is no market at that price.

Mr. LA ROE. I say there is no market to-day for American potash at \$1.14 when the Germans can flood it in at 64 cents.

Senator JONES. Are they selling much of the German product?

Mr. LA ROE. It is coming in by the boatload. This contract calls on the Germans to furnish 36,000 tons before April 30 and the French to furnish 12,000 tons before April 30, so that it is not correct to say there is no market. There is a great market here, but there is no market for the American product so long as the Germans can sell it for 64 cents.

(The papers submitted by Mr. La Roe are as follows:)

ADVERTISEMENT OF POTASH REDUCTION CO., OMAHA, NEBR., DECEMBER, 1921.

We offer to contract the sale of Jesse Lake potash to fertilizer manufacturers at prewar price of German potash, with such addition to price as the pending tariff bill gives American producers in the bill recently passed by the House of Representatives.

The tariff as proposed will save this important American industry.

We solicit business under the proposed protective tariff. Our present capacity is 50,000 tons of salts annually. Output can be greatly increased if home buyers patronize home potash producers. We solicit correspondence.

POTASH REDUCTION Co.,
Omaha, Nebr.

STATEMENT OF HOYT S. GALE AND W. B. HICKS.

[Excerpt from Bulletin of the U. S. Geological Survey, entitled "Potash in 1917."]

The brine of Searles Lake, Calif., is estimated to contain enough potash to supply the United States for about 80 years. The Nebraska lakes contain much potash, but estimates of quantity are not available. Under present operating conditions about one-third of our annual requirement is recoverable from cement mills. About 380,000 short tons of potash, most of which is volatilized, is annually charged into blast furnaces. The best available estimates indicate that about 30,000 tons of potash has formerly gone to waste in molasses distillery slop and about 8,000 tons in Steffens waste water. Kelp and ajunite are available in quantities sufficient to continue to yield a substantial production. Enormous quantities of leucite, greensand, sericite, and feldspar are available so that the supply of potash-rich silicate rocks is practically inexhaustible. These statements are sufficient to show that raw potash material is abundant in the United States. The future of the American potash industry, therefore, depends on the development of processes of extraction sufficiently economical to permit the domestic product to compete with potash imported in normal times.

CONTRACT OF THE AMERICAN AGRICULTURAL CHEMICAL CO. AND OTHERS WITH SOCIETE COMMERCIALE DES POTASSES D'ALSACE, DATED NOV. 17, 1921.

Agreement made this 17th day of November, A. D. 1921, by and between Societe Commerciale des Potasses D'Alsace, a body corporate of France, hereinafter called the "Seller," party of the first part, and the American Agricultural Chemical Co., Virginia-Carolina Chemical Co., International Agricultural Corporation, Armour Fertilizer Works, Swift & Co., F. S. Royster Guano Co., Arkansas Fertilizer Co., Baugh & Sons Co., Berkshire Fertilizer Co., Carleigh Phosphate & Fertilizer Co., Darling & Co., E. Rauh & Sons Fertilizer Co., Federal Chemical Co., F. W. Tunnell & Co., Georgia Fertilizer & Oil Co., G. Ober & Sons Co., Griffith & Boyd, Gulf Fertilizer Co., I. F. Thomas & Sons Co., Miller Fertilizer Co., Mutual Fertilizer Co., Olds & Whipple, Piedmont Mount Airy Guano Co., Read Phosphate Co., Reliance Fertilizer Co., Richmond Guano Co., Robertson Fertilizer Co. (Inc.), Rogers & Hubbard Co., Smith Agricultural Chemical Co., Southern Fertilizer & Chemical Co., W. B. Tilghman Co., Wulchet Fertilizer Co., Wilson & Toomer Fertilizer Co., York Chemical Works, who are to purchase from seller not less than 12,500 tons of potash salts (K₂O) as hereinafter provided, together with the following-named persons, who are to purchase additional quantities of potash salts (K₂O) as hereinafter further provided: The Acme Manufacturing Co., A. D. Adair & McCarthy Bros., Anderson Fertilizer & Oil Co., Capital Fertilizer Co., Grasselli Chemical Co., Hubbard Fertilizer Co., Meridian Fertilizer Factory, Savannah Guano Co., Southern States Phosphate & Fertilizer Co., Tupelo Fertilizer Factory, Pelham Fertilizer Co., Charles W. Priddy & Co. (Inc.), a group hereinafter called the "Buyer," as several parties of the second part, the individual members of which group are hereinafter sometimes called "participants"; and

Whereas the participants desire to purchase potash salts from the Seller and avail themselves of the highest discounts, as shown by schedule hereinafter set forth; and

Whereas no one of the participants desires to purchase sufficient quantities to entitle it to the highest discount named hereinafter; and

Whereas the participants, by uniting their purchases under this contract, are able to buy at least the quantity which carries the highest discount, as shown by schedule hereinafter set forth; and

Whereas Seller is willing to give a discount to the participants making up a group of buyers under this contract on the basis of aggregate quantity purchased:

Now, therefore, for value received and each in consideration of the agreement by the other herein set forth, the parties agree with each other as follows:

ARTICLE I.—TERMS.

The term of this contract shall be from the date hereof to and including April 30, 1922.

ARTICLE II.—QUANTITIES.

Each participant severally agrees to purchase from the Seller, and the Seller agrees to sell to each participant, the number of tons (of 2,000 pounds each) of K₂O which is set opposite the name of each participant at the end of this article under the caption "Quantities," at the prices set forth in the schedule in Article III hereof, subject to the conditions, discounts, and limitations hereinafter set forth.

Seller further agrees to sell to each of the participants, in addition to such quantities, additional quantities, not in excess of 33½ per cent of such quantities, if any of such participants shall at any time or times during the term hereof so desire.

The Seller also agrees to sell to each of the participants any further quantities required by them, provided that at the time of the delivery of shipping instructions and during five days thereafter the exchange of rate of the French franc shall be not higher than 7.70 cents per 1 franc. If any participant shall, through the operation of the condition contained in the preceding sentence, not be entitled to receive from the seller such additional purchases which it has agreed to purchase from Seller, it shall be free to purchase such additional quantities from other sellers.

	Tons ¹
The American Agricultural Chemical Co.....	3,240
Virginia-Carolina Chemical Co.....	2,140
International Agricultural Corporation.....	1,185
Armour Fertilizer Works.....	714
Swift & Co.....	1,620
F. S. Royster Guano Co.....	820
Arkansas Fertilizer Co.....	17
Baugh & Sons Co.....	540
Berkshire Fertilizer Co.....	54
Caraleigh Phosphate & Fertilizer Co.....	60
Darling & Co.....	27
E. Rauh & Sons Fertilizer Co.....	13
Federal Chemical Co.....	60
F. W. Tunnell & Co.....	203
Georgia Fertilizer & Oil Co.....	28
G. Ober & Sons Co.....	154
Griffith & Boyd.....	98
Gulf Fertilizer Co.....	144
I. P. Thomas & Sons Co.....	395
Miller Fertilizer Co.....	66
Mutual Fertilizer Co.....	13
Olds & Whipple.....	25
Piedmont Mt. Airy Guano Co.....	148
Read Phosphate Co.....	59
Reliance Fertilizer Co.....	27
Richmond Guano Co.....	13
Robertson Fertilizer Co. (Inc.).....	36
Rogers & Hubbard Co.....	72

¹ 2,000 pounds each.

	Tons.
Smith Agricultural Chemical Co.....	54
Southern Fertilizer & Chemical Co.....	27
W. B. Tilghman Co. (Inc.).....	121
Nulchet Fertilizer Co.....	41
Wilson & Toomer Fertilizer Co.....	158
York Chemical Works.....	97
Total	12,520
The Acme Manufacturing Co.....	80
A. D. Adair & McCarty Bros.....	27
Anderson Fertilizer & Oil Co.....	43
Capital Fertilizer Co.....	27
Grasselli Chemical Co.....	65
Hubbard Fertilizer Co.....	540
Meridian Fertilizer Factory.....	30
Savannah Guano Co.....	27
Southern States Phosphate & Fertilizer Co.....	30
Tupeio Fertilizer Factory.....	32
Pelham Fertilizer Co.....	27
Chas. W. Priddy & Co. (Inc.).....	75
Total	953
Total	13,482

It is understood that the above quantities include deliveries of potash salts since June 1, 1921.

ARTICLE III.—PRICE AND PRICE SCHEDULE PAYMENT.

	In bags of 200 pounds even weight.	In bulk.
Muriate of potash 80/85 per cent, basis 80 per cent K. C. L.....	\$37.00	\$35.75
Manure salt 20 per cent, basis 20 per cent K ₂ O.....	12.25	11.00
Kainit 14 per cent, minimum K ₂ O.....	9.43	8.18

Per 2,000 pounds net weight in good order ex-vessel Boston, New York, Philadelphia, Baltimore, Norfolk, Wilmington, N. C., Charleston, Savannah, Brunswick, Fernandino, Jacksonville, Mobile, Pensacola, New Orleans, Galveston, St. John, New Brunswick, or Halifax, Nova Scotia, provided quantities ordered for each respective port are sufficient to obtain freight room at reasonable freight rates.

FREIGHT.

Freight to be deducted from the invoice and paid by participants on discharge at port of destination in accordance with charter party and/or bill of lading.

ANALYSIS AND WEIGHT.

Participants agree to accept Seller's weights, tares, and analyses; Seller agrees to furnish certificates of analyses for potash salts packed in bags and certificates of analyses and weights for potash salts in bulk.

If manure salt 20 per cent shall test by Seller's analysis more than 20 per cent K₂O, or kainit 14 per cent more than 14 per cent K₂O, such excess is free of charge, but if the two above-mentioned grades shall test by Seller's analysis less than 20 per cent and 14 per cent K₂O, respectively, then Seller agrees to make a pro rata allowance.

If participant shall at any time, with reason, claim that an error in weight or in analysis has been made, Seller agrees, through its New York agent, to give the matter its prompt attention and proper consideration and to adjust the same without unreasonable delay.

PAYMENT.

The amount of each invoice, less freight, shall be paid by each of the participants in cash in New York City. Each participant shall, within 14 days after the date of this contract, furnish to Seller a detailed estimated statement of quantities and grades of potash salts constituting the minimum quantity of K_2O , which it shall at the time be obligated to take hereunder, and shall within said 14 days furnish to Seller a confirmed irrevocable letter of credit on a New York City bank or banker to be approved by Seller, to continue in effect until final payment for such minimum quantity, at the following rates per ton of 2,000 pounds of potash salts, so specified, as per following schedule, to wit:

Schedule.

	In bags of 200 pounds even weight.	In bulk.
Muriate of potash 80/85 per cent, basis 80 per cent K. C. L.....	\$30.60	\$29.47
Manure salt 20 per cent K_2O	8.32	7.20
Kainit 14 per cent K_2O	5.79	4.63

Each participant shall, within 30 days after the date of this contract, furnish to Seller a detailed revised and corrected statement of quantities and grades of potash salts constituting its tonnage of K_2O , and the total amount of the letter of credit issued as above provided shall be readjusted accordingly.

Whenever any participant shall have paid for the aggregate tonnage of K_2O , which participant is obligated to purchase under this contract, said letter of credit shall be released and Seller agrees to notify the bank or banker to that effect.

Whenever credits thus established by any participant shall have been exhausted or so released, such participant shall thereafter, either before or at the time of delivery of shipping orders, furnish additional like letters of credit covering all additional quantities so ordered at the above rates per ton of 2,000 pounds of potash salts.

Seller agrees to deliver in exchange for payment: Seller's invoice, consular invoice, certificate of analysis, certificate of weights (for crude salts only), bill of lading, and charter party (if any). In case any of the foregoing documents are delayed and not obtainable on the day of presentation to the New York bank or bankers, Seller will present invoice and delivery order and proof of arrival of steamer at port of destination, and agrees and guarantees to furnish the foregoing documents as soon as they come to hand, and in any event within 21 days, and each of the participants agrees to instruct its bank or banker accordingly. Each of the participants, however, shall have the right to give Seller a bank acceptance maturing four months from the date of presentation of documents or delivery order and bearing interest at the rate of 6 per cent per annum in lieu of cash; and in such a case Seller agrees to repay to such participants one-half of 1 per cent for the bank-acceptance commission. Seller agrees, if so desired by any participant, not to present the documents to the New York bank or bankers before the steamer has arrived at port of destination.

ARTICLE IV.—SHIPMENT.

Shipments are to be made according to shipping instructions to be delivered to Seller's agents, H. J. Baker & Bro., at 81 Fulton Street, New York, N. Y., at any time during the term hereof. Each of the participants agrees to order shipments as early as possible. Goods shall be order in quantities of not less than 200 tons of bulk goods and/or 50 tons of bag goods to a shipment. Seller agrees to make prompt shipments at such times as participants shall direct.

Seller has the right to make deliveries ex-store Atlantic and Gulf ports in place of shipments from abroad, and in that case the term "ex-store" shall be equivalent to the term "ex-vessel," provided that cost shall be not greater to the participants at their respective works than if delivered ex-vessel, and in such case Seller shall furnish public sworn weighers' weights and analysis certificates of Stillwell & Gladding of sample drawn by public sampler, or certificate of any other reputable chemist selected by Seller and approved by participant.

DISCHARGE OF GOODS.

Participants shall receive potash salts as per bill of lading and charter party (if any) as soon as steamer is ready to discharge after having secured proper berth, in northern ports, as fast as steamer can discharge; in southern ports south of Baltimore at the rate of not less than 400 tons of 2,240 pounds each per day, Sundays and holidays excepted and weather permitting. On shipments to southern ports Seller agrees to stipulate in charter parties that the steamer shall discharge at two wharves as designated by respective participants, provided there is a sufficient depth of water at such wharves. If possible, Seller shall also stipulate for discharge at a third wharf, but in such a case participant shall pay the expense of removal of the steamer from the second to the third wharf. Any lighterage at port of discharge is for participants' account, but participants guarantee only 19½ feet of water at Wilmington, N. C., Charleston, and Savannah, and only 20 feet at Mobile, Ala. Seller shall provide in charter party that respective participants shall have privilege of stevedoring at current rates of port.

ARTICLE V.—DISCOUNTS.

QUANTITY DISCOUNT.

Seller represents to Buyer that its scale of quantity discounts is:

1 per cent upon purchase of 1,000 tons K₂O.

3 per cent upon purchase of 5,000 tons K₂O.

5 per cent upon purchase of 10,000 tons K₂O.

10 per cent upon purchase of 12,500 tons K₂O.

Inasmuch as the total minimum quantities which participants are obligated to take hereunder, which include the quantities heretofore purchased by the participants since June 1, 1921, from the Seller aggregate in excess of 12,500 tons, Seller agrees to give participants a quantity discount of 10 per cent (to be calculated on the prices set forth in the schedules in Article III). This discount shall be deducted from each invoice.

Seller agrees not to give to any other Buyers of potash salts in the United States (Atlantic and Gulf ports) and/or Canada any higher discounts for the respective quantities than above stated or any lower prices or better terms than herein contained.

SPECIAL DISCOUNT.

Seller further agrees to pay a special discount of 2 per cent (to be calculated on the prices set forth in the schedule in Article III) on all quantities of potash salts sold hereunder which shall be resold by any participant to dealers and/or consumers in unmixed form. Any participant making such resales shall upon furnishing to the Seller an affidavit of the total tonnage of each grade of such sales, be entitled to receive such discount within 60 days after April 30, 1922.

SEPARATE DISCOUNT.

Seller agrees to pay any of the participants a separate discount of 1 per cent (to be calculated on the prices set forth in the schedule in Article III) on all deliveries made to such participants, provided (1) such participant shall state in its price that potash salts can now be had in all required quantities, and that it is advisable to buy mixed goods containing as high a percentage of potash as is suitable to the respective crops; and (2) such participant shall instruct its selling organization and salesmen to sell and recommend mixed goods containing as high a percentage of potash as is suitable to the respective crops.

Any such participant shall, upon furnishing to Seller an affidavit stating that it has fully complied with the above conditions, be entitled to receive such discount within 60 days after April 30, 1922. Failure of any participant to comply with such conditions shall not deprive any other participant of its rights to such separate discount.

ARTICLE VI.—PROTECTION OF PARTICIPANTS.

In case Seller during the term of this contract shall sell to any purchaser of potash salts in the United States to or through Atlantic and Gulf ports and/or ex warehouse and/or Canada any grade or grades of potash salts, whether men-

tioned in this contract or not, at lower prices and/or allow or pay to any such purchaser higher discounts or better terms than those named in this contract, then and in such event, such lower prices and/or higher discounts and/or better terms shall also apply to this contract with retroactive effect as though such lower prices and/or higher discounts and/or better terms had originally been contained in this contract; provided that nothing herein contained shall preclude the Seller from selling to other groups of buyers and allowing discounts on the basis of the aggregate purchases of such groups under contract containing similar provisions to those of this contract.

In the event that potash salts should be offered to any participant at lower net prices than those named in this contract, such participant shall be entitled to buy such salts, provided (1) that the quantity so offered to such participant shall be bona fide and substantial, aggregating approximately 1,000 tons K₂O; (2) that notice of the net price at which such potash can be purchased shall have been given to the Seller's agents in New York, H. J. Baker & Bros., at 81 Fulton Street, or to the Seller at its office at 25 West Forty-third Street, and the Seller shall not within five days thereafter have notified the participant that it intends to meet such lower price by reducing the prices named in this contract to such price offered to the participant.

In case the Seller should elect so to reduce the net prices specified in this contract, such reduction shall apply to all participants and to all quantities not yet shipped to the participants, during the entire remainder of the term of this contract. No quantity discount from such reduced prices shall be allowed.

In the event that the Seller should not elect to reduce its prices for the remainder of the term of the contract to meet the prices offered to any participant, then any such participant shall have the right on notice to the Seller's agents given to them in New York, at 81 Fulton Street, to cancel and to terminate so much of the contract as shall cover so much of the grade of potash salts for which such offer at a reduced price has been received and accepted, and which reduction of price the Seller is unwilling to meet as above set forth.

In the event that the Seller should determine not to reduce its prices, but to permit any participant to purchase such salts at such reduced prices from other sellers, it shall not in any wise affect the right of such participant or of any other participant to receive the quantity discount of 10 per cent, to which each participant is entitled hereunder, and each participant shall be entitled to receive such discount notwithstanding it shall make such purchases from other sellers of potash salts.

In the event that Seller shall not reduce its price in the event of a lower price being offered to any participant, and shall permit such participant to purchase potash salts from others as herein provided, Seller agrees immediately to notify the bank or banker issuing the letters of credit hereinabove referred to, that the credit of such participant has been reduced by an amount to be determined by multiplying the number of tons of 2,000 pounds of the grade of potash salts as to which the contract is so canceled by the rate applicable to the grade as specified in the table of rates set forth in this contract above in paragraph entitled "Payment."

In the event that Seller shall reduce its price to meet the prices offered by others, Seller agrees immediately to notify the bank or bankers issuing the said letters of credit of such reduction of price and of the corresponding reduction in the liability of each and every participant under said letters of credit to an amount to be computed as follows: The tonnage of each grade which such participant shall at the time still be obligated to purchase shall be multiplied by the reduced price applicable; from each such sum thus obtained there shall be deducted an amount equal to the number of tons of 2,000 pounds each of such grade multiplied by \$2.70.

The prices named in Article III and the discounts named in Article V of this contract shall also apply to all quantities received or ordered by participants since June 1, 1921, and such quantities shall be deemed to be included within the terms and conditions of this contract.

The Seller further agrees that if the prices in Article III shall hereafter be reduced, as above provided in the first paragraph of Article VI, such reduced prices shall then be applicable to the purchases referred to in the preceding sentence.

In the event of war, revolution, fire, flood, strike, accident, or any other contingencies beyond the control of the participants happening to such number of the factories owned and operated by any participant or its branches, that the operation thereof shall be interfered with or interrupted in such manner as

to prevent such participant from using all the merchandise agreed to be purchased by it under this agreement, such participant has the right to cancel such portion of this contract as may be affected thereby, by giving notice to the Seller's agents in New York to that effect; provided said goods shall not have been shipped or vessels to carry the same shall not have been chartered prior to notice being given to Seller's agents of the existence of such impediments. Such cancellation shall not deprive the participant so canceling or any other participant of the quantity discount which it is entitled to hereunder.

ARTICLE VII.—PROTECTION OF SELLER.

In case of war, revolution, fire, flood, strikes, accidents, or any other contingencies beyond the control of the Seller happening to such number of the mines or works represented by it, as to make impossible the production or transportation of the goods herein described. Seller shall have the right to cancel this contract with reference to the shipments which may be so affected or to make shipments after the said impediments and contingencies shall have been removed, provided the respective participants, who shall have ordered such shipments, agree thereto. Should Seller notify any participant that it is prevented from making deliveries in case of war, etc. (as above), such participant shall have the right to buy the quantities so affected from other Sellers of potash salts. The quantity discount to which the participants are entitled hereunder shall not be reduced because of such cancellation and such purchases from other Sellers of potash salts.

Each participant agrees expressly to use or sell potash salts bought from Seller under this contract only in the United States, Canada, Cuba, and Porto Rico. Shipments to Cuba and Porto Rico may be ordered direct to those countries by participants at the same prices and discounts named in this contract; except as to difference in freight. Deliveries of mixed fertilizer goods containing potash may be made to any country.

This contract embraces only shipments of potash salts to Atlantic and Gulf ports of the United States and Canada.

This contract further embraces only shipments of potash salts for agricultural purposes. Shipments for chemical purposes are excluded from this contract, but Seller agrees to bind such Buyers as they buy potash salts for chemical purposes not to resell them for agricultural purposes.

ARTICLE VIII.—TAXES AND DUTIES.

Seller hereby assumes and agrees to pay any tax or duty which may be imposed or assessed by the French Government in any way affecting deliveries under this contract. However, if the French Government shall impose or assess any new tax or duty, Seller shall have the right or option to cancel any unshipped part of the contract, except as to the minimum quantities which each participant shall be then obligated to take hereunder.

Seller hereby also assumes and agrees to pay any tax or duty affecting deliveries under this contract which may be imposed or assessed by the United States Government under the antidumping act of 1921 or any amendment thereto which may be hereafter enacted, provided, however, in case of such amendment Seller shall not be required to pay any tax or duty in excess of amount of tax payable under existing provisions.

On the other hand, each of the participants hereby assumes and agrees to pay any other tax or duty which may be imposed or assessed by the United States Government and/or any war-risk insurance affecting deliveries to it under this contract. However, if the United States Government shall impose or assess any additional tax or duty, each participant shall have the right or option to cancel any unshipped part of the contract except as to the minimum quantity which each participant shall be then obligated to take hereunder and except as to any quantity for which steamers have already been chartered.

ARTICLE IX.

It is hereby expressly provided, anything herein contained to the contrary notwithstanding (subject to the provisions of Article VI hereof) that in case any participant shall have failed, prior to April 1, 1921, to have given to the Seller shipping orders or instructions for the full amount of the quantities which it is obligated to purchase set opposite its respective name that Seller shall have the

right nevertheless to ship to such participants a quantity of K_2O equal to the difference between such minimum quantity and the quantity for which shipping instructions or orders shall have been so given to the Seller. Such quantities of K_2O shall be distributed in any grades whatsoever that the Seller may select, and shall be shipped to such participant at the port nearest to its factory, and the Seller shall be authorized to draw drafts for the purchase price of such potash shipments under the said letter of credit given by such participant under the terms of this agreement, and upon receipt of the documents as hereinbefore provided the bank shall pay such drafts for shipments made under the terms of this paragraph in all respects the same as if the shipments had actually been directed by the participant.

ARTICLE X.

Whereas Seller recognizes an obligation to the participants following (but to no participants other than those named); The American Agricultural Chemical Co., Armour Fertilizer Works, International Agricultural Corporation, F. S. Royster Guano Co., Swift & Co., Virginia-Carolina Chemical Co., Acme Manufacturing Co., A. D. Adair & McCarty Bros., Anderson Phosphate & Oil Co., Arkansas Fertilizer Co., Baugh & Sons Co., Berkshire Fertilizer Co., Capital Fertilizer Co., Caraleigh Phosphate & Fertilizer Co., Darling & Co., Federal Chemical Co., Georgia Fertilizer & Oil Co., Grasselli Chemical Co., Griffith & Boyd Co., Gulf Fertilizer Co., Meridian Fertilizer Factory, Millef Fertilizer Co., Mutual Fertilizer Co., G. Ober & Sons Co., E. Ruah & Sons Fertilizer Co., Read, Phosphate Co., Reliance Fertilizer Co., Richmond Guano Co., Robertson Fertilizer Co., Rogers & Hubbard Co., Savannah Guano Co., Smith Agricultural Chemical Co., Southern Fertilizer & Chemical Co., Southern States Phosphate & Fertilizer Co., I. P. Thomas & Sons Co., W. B. Tilghman Co. (Inc.), Tupelo Fertilizer Factory, Vulchet Fertilizer Co., York Chemical Works, Chas. W. Priddy & Co. (Inc.), growing out of last year's business with them by which the Seller has agreed to refund 6,023.42 metric tons of K_2O to said participants in proportion to the quantities of potash taken by them in 1920-21, and the seller hereby agrees with each of such participants, but only if participants shall make purchases of potash salts from Seller as hereinafter set forth to deliver to each of such participants in proportion to the amounts set after their names hereafter in this article, free of cost, in good order, ex-vessel, at any of the ports named in article 3 hereof which may be designated by the participants, provided the quantities for each respective port are sufficient to obtain freight room at reasonable freight rates, the following amounts of K_2O of the grades specified by the participants.

1. During 1922-23 a total tonnage free of cost of K_2O equal to 10 per cent of the purchases by each of such participants during such year not in excess of the amounts hereafter set opposite the names of such participants.

2. If any such participant shall not purchase during 1922-23 the full amount hereafter set opposite its name, it shall then be entitled to a tonnage free of cost during the year 1923-24 consisting of a total tonnage of K_2O equal to 10 per cent of such portion of the amount hereafter set opposite its name as it shall not have purchased during 1922-23, and as it shall purchase during 1923-24: *Provided, however,* That the total tonnage free of cost during 1923-24 which any participant shall be entitled to hereunder shall in no case exceed 2.5 per cent of the amount hereafter set opposite its name, even though such 2.5 per cent shall be less than 10 per cent of its purchases during 1923-24, and it shall have no right in or claim to any balance remaining and to which it shall not have become entitled by reason of its purchases made as aforesaid. The failure of any participant to purchase during the periods mentioned in this article, the quantity of K_2O set opposite his name, shall not, in any wise, prejudice the right of the other participants to receive the said free tonnage.

Seller agrees to quote as low net prices for K_2O as the lowest net prices at which such grades of potash salts shall be offered to any participant by any seller outside of the United States, it being also understood that in computing such net prices, the K_2O to be delivered free of cost as hereinbefore provided shall not be taken into consideration.

If for any reason whatsoever no contract shall be entered into between the parties for the year 1922-23 and for the following year of 1923-24, the obligation of the seller shall be a continuing one and the said participants shall be entitled to receive the free of cost tonnage to the extent and upon the terms and conditions hereinbefore set forth, upon the entering into of contracts be-

tween the parties hereto for the purchase of K_2O whenever such contracts may be entered into.

The amount of tonnage which is the basis of computing the amount of free tonnage to which each of such participants shall be entitled is as follows:

	Metric tons.
American Agricultural Chemical Co.....	12,305.90
Armour Fertilizer Works.....	4,151.40
International Agricultural Corporation.....	7,947.10
F. S. Royster Guano Co.....	4,966.00
Swift & Co.....	3,397.00
Virginia-Carolina Chemical Co.....	7,860.60
Acme Manufacturing Co.....	214.20
A. D. Adair & McCarty Bros.....	894.60
Anderson Phosphate & Oil Co.....	648.50
Arkansas Fertilizer Co.....	689.90
Raugh & Sons Co.....	1,947.50
Berkshire Fertilizer Co.....	150.70
Capital Fertilizer Co.....	473.90
Caraleigh Phosphate & Fertilizer Co.....	347.80
Darling & Co.....	247.20
Federal Chemical Co.....	491.10
Georgia Fertilizer & Oil Co.....	1,127.90
Grasselli Chemical Co.....	529.60
Griffith & Boyd Co.....	581.60
Gulf Fertilizer Co.....	108.70
Meridian Fertilizer Factory.....	659.20
Miller Fertilizer Co.....	287.20
Mutpal Fertilizer Co.....	858.40
G. Ober & Sons Co.....	380.80
E. Rauh & Sons Fertilizer Co.....	425.50
Read Phosphate Co.....	789.70
Rellance Fertilizer Co.....	581.90
Richmond Guano Co.....	1,221.90
Robertson Fertilizer Co.....	496.90
Rogers & Hubbard Co.....	136.80
Savannah Guano Co.....	621.00
Smith Agricultural Chemical Co.....	75.40
Southern Fertilizer & Chemical Co.....	1,016.00
Southern States Phosphate & Fertilizer Co.....	111.60
I. P. Thomas & Sons Co.....	876.20
W. B. Tilghman Co. (Inc.).....	785.30
Tupelo Fertilizer Factory.....	287.70
Pelham Fertilizer Co.....	260.00
York Chemical Works.....	405.70
Charles W. Priddy & Co. (Inc.).....	981.80
Total metric tons.....	60,234.20

if Seller should fail to meet competitors' prices (as aforesaid) and for this reason.

It is agreed that in the event that contracts between the Seller and such participants shall not have been entered into and the Seller shall sell to other persons in the United States potash salts at net prices equal to or lower than those offered by any Seller outside of the United States, then the Seller shall be obligated to deliver to each such participants the free of cost tonnage of K_2O hereinbefore referred to, even though no contract for the sale of K_2O shall be entered into between the Seller and such participants, in such event each of such participants shall be entitled to obtain delivery from the Seller of tonnage of K_2O free of cost to which it is entitled as hereinbefore provided, in manner following: Not exceeding 75 per cent thereof during the first year and not exceeding 25 per cent thereof during the second year succeeding such sale to other persons in the United States.

It is further agreed that if the Seller shall enter into any contract or arrangement with any other foreign producers by which directly or indirectly the marketing of the product from the Seller shall be pooled or an agreement made for its disposition in connection with the products of such other foreign competitors in such a manner that the Seller shall be unable to sell to participants

as contemplated, before the participants shall have received the free-of-cost tonnage to which they are entitled to hereunder, then the Seller agrees that it shall be obligated to deliver to each such participant the free-of-cost tonnage of K_2O hereinbefore referred to, even though no contracts for the sale of K_2O shall be entered into between the Seller and such participants. In such event each of such participants shall be entitled to obtain delivery from the Seller of tonnage of K_2O free of cost to which it is entitled as hereinbefore provided in manner following: Not exceeding 75 per cent thereof during the first year and not exceeding 25 per cent thereof during the second year succeeding the entering into such contract or arrangement with such other foreign producers.

ARTICLE XI.

This agreement may be executed in several counterparts.

This contract shall be binding on such of the parties hereto who execute the same, even though all of the parties named as several parties of the second part shall fail to execute the same: *Provided, however,* That a sufficient number of parties of the second part mentioned on page 1 who are to purchase from Seller not less than 12,500 tons execute this contract so that the total quantities set opposite the names of such parties so executing under Article II hereof shall at least equal an aggregate of 12,500 tons.

Seller agrees that all details in the performance of this contract in its behalf may be arranged by participants through Seller's agents, H. J. Baker & Bro.

This contract shall be binding on the successors and assigns of the parties hereto.

In witness whereof Seller has caused these presents to be executed in its behalf by its director Gustave Lenable, thereunto duly authorized, and each of the Buyers has caused these presents to be executed in its behalf by its officers thereunto duly authorized the day and date first above mentioned.

Executed and delivered in the presence of

SOCIETE COMMERCIALE DES POTASSES D'ALSACE,
By _____, Director.

The words "the above quantities include" having been restored, the words "shall be adjusted as to prices, terms, and conditions of this contract" on page 4 having been stricken out, the words "which include the quantities heretofore purchased by the participants since June 1, 1921, from the Seller," on page 5, having been restored, and the words "the Seller should fail to meet competitors' prices (as aforesaid) and for this reason" having been inserted at the top of page 17 before execution by participants, and such changes having been made by cable authority from Mr. Lenable.

H. J. BAKER & BRO.,
FOR SOCIETE COMMERCIALE DES POTASSES D'ALSACE.

BRIEF OF WILBUR LA ROE, JR., REPRESENTING THE UNITED STATES POTASH PRODUCERS' ASSOCIATION.

STATEMENT.

Following our oral presentation before the Committee on Finance on December 30, 1921, we were authorized to file a brief in support of paragraph 1635 of H. R. 7456, reading as follows:

"PAR. 1635. Potassium chloride or muriate of potash, potassium sulphate, kainite, wood ashes and beet-root ashes, and all crude potash salts not specially provided for: *Provided,* That for a period of five years beginning on the day following the passage of this act there shall be levied, collected, and paid on the actual potash (potassium oxide) content of all the foregoing a duty of 2½ cents per pound for the first two years, 2 cents per pound for the third year, 1½ cents per pound for the fourth year, and 1 cent per pound for the fifth year: *Provided further,* That hereafter the said potash content shall be free of duty."

This paragraph was inserted in the bill by the Committee on Ways and Means after a most careful consideration of the subject from every angle. It may be said to represent the committee's conviction that, with a moderate degree of protection, the potash industry of this country can be established on a firm basis, and that this can be accomplished within the five-year period provided in the proposed bill. In behalf of this American industry we desire

again to express our earnest conviction that this can be done. Although the bill as passed by the House of Representatives grants somewhat less protection than we asked, and provides for no protection after the expiration of the five-year period, we are convinced that it represents an honest and studied effort to afford this industry a reasonable opportunity to establish itself, and we therefore accept it and advocate its adoption without change.

THE GERMAN AND FRENCH CONTRACTS.

Since the adoption of the bill by the House of Representatives there have been important changes in the situation which furnish even more compelling reasons for the granting of the protection asked than existed at that time.

First and foremost is the execution of a contract between the German Kall Syndicate and 34 of the largest American manufacturers of fertilizer,¹ whereby the American manufacturers agree to buy from the Germans "at least 75 per cent of their entire purchases of potash salts" for the period of the contract, expiring April 30, 1922, at a price of 64 cents per unit, which is not only lower than the prewar price but lower than the actual cost of production in this country; and the execution of a like contract between the same American manufacturers and the French Potash Syndicate, whereby the American manufacturers agree to buy from that syndicate the remaining 25 per cent of their requirements during the contract period.

These two contracts have the effect of taking these large consumers out of the market for the current season. The percentage of domestic consumption represented by these 34 producers has been variously estimated at from 60 to 85 per cent. In our opinion the latter figure is more nearly correct.

It goes without saying that these contracts threaten the very life of the American potash industry unless Congress will raise its hand in protest. It is our firm belief that the importation of potash under the terms of these contracts represents a flagrant violation of the antidumping act and that they constitute an unfair and unlawful attempt to ruin the American industry.

The issue is plain: Shall a Republican Congress, pledged to the reasonable protection of American industry, grant a moderate degree of protection to the

American potash industry, which protection automatically expires at the expiration of a 5-year period, if it is clear that the alternative is to put the American consumers of potash at the complete mercy of the German kall syndicate.

To state that issue is to answer it.

ABSENCE OF OPPOSITION.

We earnestly insist that the entire absence of any substantial opposition on the part of the American farmer speaks eloquently for approval of the proposed duty. We shall be pardoned for suggesting that the character of the opposition strengthens, rather than weakens, our case. In the hearings before the Committee on Ways and Means not a single witness appeared in opposition to the proposed duty. At the hearing before the Finance Committee of the Senate our opponents were as follows:

1. Mr. S. D. Crenshaw, vice president of the Virginia-Carolina Chemical Co. The record contains an extract from a report of the Federal Trade Commission showing that the Virginia-Carolina Chemical Co. has a substantial interest in certain German potash enterprises. Although he assumed to make a vicarious plea on behalf of the American farmer, he was not authorized to do so, and must be listed with those whose interest is inspired by German sources. It is interesting to note, in passing, that Mr. Crenshaw was followed by a New Jersey farmer who testified that he can mix at a cost of \$24.50 the same fer-

¹ The American Agricultural Chemical Co., Virginia-Carolina Chemical Co., International Agricultural Corporation, Armour Fertilizer Works, Swift & Co., F. S. Royster Guano Co., Arkansas Fertilizer Co., Baugh & Sons Co., Berkshire Fertilizer Co., Caraleigh Phosphate & Fertilizer Co., Darling & Co., E. Rauh & Sons Fertilizer Co., Federal Chemical Co., F. W. Tunnell & Co., Georgia Fertilizer & Oil Co., G. Ober & Sons Co., Griffith & Boyd Co., Gulf Fertilizer Co., I. P. Thomas & Son Co., Miller Fertilizer Co., Mutual Fertilizer Co., Olds & Whipple, Piedmont-Mount Airy Guano Co., Read Phosphate Co., Reliance Fertilizer Co., Richmond Guano Co., Robertson Fertilizer Co. (Inc.), Rogers & Hubbard Co., Smith Agricultural Chemical Co., Southern Fertilizer & Chemical Co., W. B. Tilghman Co. (Inc.), Wulchet Fertilizer Co., Willson & Toomer Fertilizer Co., York Chemical Works.

tillizer which he purchases from the manufacturer for \$88. Mr. Crenshaw's interest in the American farmer goes to the extent of raising a protest against a tariff duty which may add \$1 per ton to the cost of fertilizer. It does not go to the extent of suggesting a narrowing of the margin between \$24.50, what it costs the farmer to mix his fertilizer, and \$88, the price he is obliged to pay when he buys it from the manufacturers represented by Mr. Crenshaw.

2. Two spokesmen for the New Jersey potato industry, one of whom frankly conceded that this tariff duty, even if it were paid in its entirety by the farmer, would not amount to more than 2 cents per bushel of potatoes.

3. Mr. Benham, a Member of Congress, who is interested in the rehabilitation of dilapidated farms, and who stated that potash is a very important element in the process of rehabilitation. It having been demonstrated that the proposed duty would amount to only a fraction of a dollar per acre of crops, it would be interesting to know the percentage relationship between Mr. Benham's profits and the additional cost, if any, which this duty would impose upon him.

4. Mr. H. A. Huston, representative in this country of the German potash syndicate, who had the temerity to assume to speak on behalf of the American farmer. Mr. Huston had no other object in speaking than to subject the American farmer to the merciless monopoly of the German syndicate, and his disingenuous presentation in behalf of the farmer should receive scant consideration from an American Congress pledged to the reasonable support of American industry.

Such was the presentation in the interest of the American farmer, half of it made by direct representatives of German potash interests. Where were the American Farm Bureau Federation, the National Grange, and the National Bureau of Farm Organizations, all of which have offices in Washington? Where were the southern farmers, upon whom it has been said the proposed duty would cast a heavier burden than on any other farmer?

In all seriousness, we contend that the absence of substantial opposition proves beyond a reasonable doubt that this American potash industry can be saved without imposing a serious burden on any person or upon any community. The attitude of the American farmer is faithfully recorded in an article in Farm Journal, November, 1921, from which we quote as follows:

"It is not necessary to remind Farm Journal readers of the tremendous importance of potash in soil building and crop feeding, as proved by the Pennsylvania, Ohio, and Illinois experiments. In an article more than a year ago I explained why farmers would be best served if there were permanent open competition between foreign and American potash, both as to quality and prices. The matter is just as vital as it ever was—more so, if anything.

"The German potash monopoly again reigns supreme. Every primary potash-producing plant in the United States is shut down. Germany's answer to our threat of independence in a food supply essential is her great 'supertrust,' the Kallayndikat. And she doesn't even wait for the funeral of the infant American potash industry to play her old tricks.

"The average application of mixed fertilizer per acre per rotation runs from 250 pounds to 500 pounds. The commoner formulas containing potash are 2:8:2 and 2:8:4. This is much too little potash for the average farm, but we will base our figures on these common formulas. The average tariff for the 5-year period would be about 40 cents per unit of potash, which is the same as saying 40 cents for each per cent of potash in the ton. So the average cost per acre per rotation would run about like this:

Extra cost per acre per rotation.

	2:8:2.	2:8:4.
	<i>Cents.</i>	<i>Cents.</i>
Application per acre:		
250 pounds.....	10	20
400 pounds.....	16	32
500 pounds.....	20	40
1,000 pounds.....	40	80

"On a farm having 100 acres, in a four-year rotation, 500 pounds per acre per rotation would cost \$5 extra for 2:8:2 and \$10 extra for 2:8:4. Just the same, that is money. What do you buy for it?"

"WHAT THE POTASH BUYER WILL GAIN:

"The first thing that would happen would be the ample capitalization and development of American potash—escape from the most ruthless and corrupt and hostile monopoly in existence. The German will be changed, in the twinkling of an eye, from the highwayman who has been sandbagging, to an outwardly gentlemanly competitor for American business. You would pay the enormous sum of \$5 or \$10 (maybe \$20) to bring the price of potash down below prewar prices by the time the tariff has lived out its limited period of five years. The small investment of to-day will return nearly 40 per cent dividends every year. And if you feel as I do, you will be glad, too, that the rest of the non-German world has been liberated from a food-supply monopoly through your own courage and foresight—for, given the chance, American potash will enter the world's markets in competition with that of the great conspiracy."

QUALITY OF AMERICAN POTASH.

Propagandists are still at work trying to establish the untruth that American potash is inferior to the German product. It is being said that American potash contains borax in harmful quantities.

We make the unequivocal statement, supported by expert authority, that American potash is in every respect the equal of German potash. We can best make reply to the propagandists by quoting from the opinions of several State chemists:

REPLIES OF STATE CHEMISTS TO PROPAGANDA REGARDING QUALITY OF AMERICAN POTASH.

By Mr. J. B. Rather, State chemist of Arkansas: Americans can make and are making just as good potash as ever left a German seaport. Anyone who persists in believing that the only satisfactory potash bears the label "Made in Germany" is playing directly into the hands of the German potash trust.

By Mr. R. E. Rose, State chemist of Florida: There is no difference in the muriate of potash and the sulphate of potash as produced in America and the same materials from Germany. I believe that goods made from American potash are as effective as those made from German potash, provided always that the percentage of potash guaranteed is found in the goods.

By Mr. W. R. Dodson, director of experiment station, State of Louisiana: For all crops other than tobacco, there is no reliable evidence known to me that the imported products have any superiority whatever to our homemade goods.

By Mr. W. F. Hand, State chemist of the State of Mississippi: There is absolutely no ground for the statement that the soluble potash in American potash salts is not equivalent, pound for pound, to that of any salts heretofore imported. Farmers need feel no hesitancy whatever in the purchase of their fertilizers this year.

By Mr. W. C. Dumas, State chemist of the State of Georgia: Potash is potash no matter whether it originated in Germany or in this country. Our domestic potash is just as effective as a plant food as any other. It is absurd for anyone to state that the fertilizer made with domestic potash is not as effective as similar goods of the same analysis made with German salts.

By Mr. B. W. Kilgore, State chemist of North Carolina: The forms of potash being obtained and used in our fertilizers are just as good and effective as the German kinds of potash.

By Mr. R. W. Brackett, State chemist of South Carolina: The farmer may rest assured that 6 per cent of water-soluble potash furnished by American sources is of exactly the same value to him as 6 per cent of water-soluble potash furnished by German sources.

(All of the above may be found at pp. 245 to 247 of the hearings before the Committee on Ways and Means, on H. R. 4870, dated June 17, 1919.)

The following is from a recent statement by Dr. John E. Teeple, a leading American chemist who has made a special study of the potash situation:

"Quality.—The average quality of American potash produced to-day is higher than the average being produced by any other country. It contains smaller amounts of impurities. One hundred consecutive cars shipped from one plant in America over a year averaged 92.87 per cent K_2O . The other constituents included about one-half of 1 per cent each of sodium carbonate and sodium sulphate, less than one-half of 1 per cent of borax, between 2 and 3 per cent of sodium chloride (common salt), the rest being moisture. This contains nearly 60 per cent K_2O , a higher percentage of actual potash than any fertilizer material that reaches this country from abroad. How does this analysis compare with the German product? German muriate of potash is 80 per cent, which is the product used for fertilizer purposes, usually contains 16 per cent sodium chloride, and around one-half of 1 per cent each of magnesium chloride, magnesium sulphate, calcium sulphate, insoluble material, with some moisture. This product contains about 50 per cent K_2O . A very considerable amount of potash imported into this country is kainite. This contains about 12½ per cent K_2O . The analysis is about 24 per cent potassium sulphate, 15½ per cent magnesium sulphate, 13 per cent magnesium chloride, 31 per cent sodium chloride, with other materials. So much for the general purity of the American product, which is evidently very high.

"The specific impurities which the gentlemen apparently object to in their articles are sodium chloride and borax. Mr. Hubbard particularly mentions the salt as an injurious ingredient, but a comparison of the analyses above shows that the purest German product contains over five times as much salt as the American product, and this amount of salt increases in the German product until we reach kainite, which actually contains a great deal more salt than it does potash. The ridiculousness of the argument against American potash because of its salt impurity immediately becomes apparent.

"The other impurity they mention is borax. Now, there is no doubt that when the American plants were developing under war conditions they put out products far less pure than they do to-day, and there is no further doubt that some of the products they put out under war conditions contained a good deal of borax. Whether this ever did any harm or not is an open question. It is at any rate of purely academic interest, because no American product to-day contains borax of any particular consequence. Potash from a good many American sources contains no borax whatever, and, as shown by the analysis above, the Searles Lake potash averages less than one-half of 1 per cent of borax. Chilean nitrate frequently contains it as an impurity. Borax is a constant constituent of the German potash salts and is not always entirely removed. Mr. Hubbard's firm sold some fertilizer in Aroostook County, Me. The fertilizer contained some borax, and some of the potatoes did not give a good crop. Mr. Hubbard said his firm lost \$823,000 on this account, but it is far from being proven that borax caused the damage. In fact I have never seen any clear, logical attempt to present such proof. In any case this is purely an academic question of the past and has no bearing on the situation to-day, which is the only one we are interested in.

"In 1919 the Bureau of Soils of the United States Department of Agriculture studied the whole question of borax very carefully, and Mr. Milton Whitney, chief of the bureau, issued a set of instructions regarding the borax content which could be present in fertilizers without causing damage. The lowest limit that he set under the most unfavorable conditions is far in excess (four or five times as large) as could possibly be obtained by the use of American potash to produce fertilizer. During this present year the Bureau of Plant Industry of the United States Department of Agriculture performed a series of tests with the view of controlling the tobacco disease known as 'sand drown.' They used American potash containing the normal amount of borax. The growth of the plants where the American potash was used was as good as any other, and the disease was much less than it was in the plots where German potash was used. In Aroostook County, Me., where the farmers, according to Mr. Hubbard, had such severe losses from borax in American potash, these same farmers this year bought American potash direct from the plant and use it satisfactorily. Agricultural experiment stations in Indiana, New Jersey, Connecticut, Minnesota, Maine, South Carolina, Ohio, New York, and many others have made very careful experiments, and in every case record the American product giving as good or better results than the foreign.

"So much for the question of quality. These are all matters of official record, and investigation will convince anybody that the talk of American potash being of inferior quality to-day is pure bosh."

GERMAN PRODUCTION OF POTASH.

Prior to the war Germany enjoyed a virtual monopoly of the world's production of potash, about 95 per cent being produced from the mines at Stassfurt, in central Germany, and about 5 per cent from the Alsatian mines. The German production before the war was about 1,000,000 metric tons. A metric ton is 2,204.6 pounds, roughly speaking the equivalent of our long ton. Since the consumption of potash in the United States is normally in the neighborhood of 250,000 tons per year, the German production of 1,000,000 tons is equivalent to approximately four times our total normal consumption.

Soon after the war broke out we were forced to admit our absolute dependence upon the German supply of potash. Our farmers found themselves in a helpless condition, and both the agencies of the Government and private firms made a frantic effort, and an effort that was only partially successful, to avoid a potash famine. The situation was very well and very forcibly expressed in the testimony of Dr. Wilhelm Ostwald, winner of the Nobel prize in 1919, and an officer of the German Imperial Government. His statement will be found at page 58 of the testimony before the Committee on Public Lands, June, 1917, from which we quote as follows:

"America went into the war like a man with a rope around his neck, which is in the enemy's hands and is pretty tightly drawn. With its tremendous deposits Germany has a world monopoly in potash, a point of immense value, which can not be reckoned too highly when once this war is going to be settled. It is in Germany's power to dictate which of the nations shall have plenty of food and which shall starve. Germany is in the position often realized by Bismarck, to handle the long arm of the lever. The dearth of potash, as well as the ever increasing results of the U-boat war, is working in Germany's favor."

The German production of potash held up surprisingly well during the war. The best information that we have been able to find on this subject is set forth in the United States Department of Commerce reports of October 9, 1918, at page 118, where there is reprinted an article from the Frankfurter Zeitung of July 10, 1918, from which we quote as follows:

"The Imperial Government has submitted to parliament an exhaustive memorandum on the financial situation of the potash industry in war time. In reference to market conditions it is stated that the loss occasioned by export embargo and the total cessation of exports to the United States has been partly made good by increased sales in neutral countries, and in Germany. The gradual consolidation of the potash mines, commenced in peace time, became all the more urgent in war time, as the number of mines in operation has increased from 191 on August 1, 1914, to 204 on January 1, 1918.

"The number of operatives decreased from 34,816 on July 1, 1914, to 31,740 on January 1, 1918, the latter number including 11,861 prisoners of war and 2,386 women."

Although we have no desire to take undue advantage of the fact, we think it but fair to call the attention of the committee to the fact that the German paper here admits that 11,861 prisoners of war were put to work in the potash mines. The article does not state whether any of these were American prisoners.

German potash is mined from the ground much like coal. There are 204 shafts, of which 17 are in Alsace. In normal times about 35,000 people are employed. The capitalization of the mines is 1,600,000,000 marks, or, at the normal rate of exchange, about \$880,000,000. In other words, about ten times as much capital is invested as we have invested in America.

The German mines constituted a monopoly, backed solidly by the German Government. The mines appointed a board of overseers who organized a selling corporation known as the Kallsyndikat, each mine contributing to the working capital of the syndikat in proportion to its capital. The syndikat was managed by a board of directors.

The situation has not changed substantially since the war except that the 17 Alsatian mines now belong to France. The 187 German mines still belong to Germany and the Kallsyndikat is still in active operation.

It is too early to say with confidence what the effect will be of transferring the 17 Alsatian mines from the jurisdiction of Germany to the jurisdiction of France. It may have a tendency to break the German monopoly, but the Germans are much better organized than the French and their industry has been longer established. It is said that Germany has already approached France

with a view to the formation of a potash alliance which would, in practical effect, restore Germany's monopoly. To what extent these negotiations have succeeded is not known.

Whatever the outcome may be, it is reasonably certain that the situation will be as bad, from the point of view of the American potash producers, as if there were a German monopoly.

This is forcefully demonstrated by the fact that the 34 American fertilizer manufacturers have contracted to purchase 75 per cent of their requirements from the German Syndikat and 25 per cent from the Alsatian Syndicate at the same price.

The Kallsyndikat has a very efficient representative in the United States known as "the German Kali Works," incorporated in 1909 under the laws of New York.

Nor can the fact be overlooked that the German interests have done everything in their power, by fair means and foul, to prevent the development of the potash industry in America. The following speaks for itself:

AFFIDAVIT AS TO ATTEMPT OF GERMAN KALI SYNDICATE TO INTIMIDATE AMERICAN POTASH PRODUCERS.

I, Harry O. Tucker, being first duly sworn, depose and say that I am a resident of Los Angeles, Calif., and the traffic manager of the American Trona Corporation, which owns and operates a potash-reduction plant at Trona, Searles Lake, Calif., with an investment of approximately \$5,000,000; that Paul Friedrichsen, whose official title is propaganda manager for the German Kali Syndicate for the Western States and Hawaii, came into the offices of the Trona Corporation at different times during the three or four months immediately preceding the United States entering the World War and stated in the presence of Mr. Ernest Gordon, assistant secretary and assistant treasurer of the American Trona Corporation, that the stockholders of the American Trona Corporation were foolish and unwise to invest their money in a potash-reduction enterprise in the United States, for the reason that the German Kali Syndicate and the Imperial German Government would, after the conclusion of the war, absolutely destroy the American potash industry by marketing the German potash in the United States at such low figures as to absolutely preclude and bar any and all competition; that the German Kali Syndicate and the Imperial German Government absolutely controlled the potash production and market of the world, and pictured in great detail the immensity and strength of the German Kali Syndicate, governmentally controlled, and stated that it was useless and futile for any potash-reduction enterprise in the United States to undertake to compete with the German potash, for said syndicate and the Imperial German Government intended to destroy all competition; that said Friedrichsen had no apparent reason for coming to the American Trona Corporation offices except to communicate above statements on behalf of the German Kali Syndicate; that the affiant was personally present and heard above statements in at least one of the said interviews, and personally knows of said Friedrichsen making other visits to said offices for the same purpose, it being at that time freely discussed by Mr. Gordon, the affiant, and other officers and employees of the American Trona Corporation; that said Friedrichsen was, by his statements aforesaid and his general conduct and bearing and ostentation, endeavoring to dishearten, discourage, threaten, and intimidate the officers and stockholders of the American Trona Corporation in the matter of their proceeding with the development of potash production from the almost inexhaustible potash deposits of Lake Searles, Calif.; that the German Kali Syndicate maintains five offices in the United States as centers of propaganda work, and that the said Friedrichsen was connected with and operated from the San Francisco office, the other offices being at New York City, Chicago, Atlanta, and New Orleans, respectively; that in affiant's judgment the aforesaid conduct, attitude, tactics, threats, and intimidations were but a part and parcel of a general, insidious, and subtle program and system of propaganda carried on and conducted by said syndicate over the United States during the war, and for the purposes aforesaid.

HARRY O. TUCKER.

Sworn and subscribed to before me this 7th day of February, 1919.

MYRON M. CADY, *Notary Public.*

(From pp. 235, 236, Hearings before Committee on Ways and Means, H. R. 4870, dated June 17, 1919.)

WHO ARE THE AMERICAN PRODUCERS?

The propagandists have not limited their activities to discouraging the production of potash in this country and circulating malicious falsehoods regarding the quality of the domestic product. It has been said that the American potash production is controlled by the meat packers or by some other small group of capitalists. Nothing could be farther from the truth. There is nothing even remotely approaching a trust or combination in restraint of trade. On the contrary, the industry is widely scattered and its ownership and control is diversified as almost any other industry in the country. We can best make reply to this malicious suggestion by submitting a complete list of the plants which produced potash in 1920. In connection therewith we show the production of potash salts, the production of pure potash, and the capital invested:

Potash production and capitalization, 1920.

Source and companies.	Production salts.	Production K ₂ O.	Capital invested.
Natural brines, Nebraska Lakes: Alliance Potash Co., American Potash Co., Hord Potash Co., Nebraska Potash Works Co., Potash Reduction Co., Standard Potash Co., Merriman Potash Co., Union Potash Co.....	Tons. 84,168	Tons. 21,436	\$7,846,000
Other brines: American Trona Corporation, Borosolway Co., West End Chemical Co., Utah-Salidro Co., Salt Lake Chemical Co., Salt Lake Potash Co., Whitney Chemical Co., Nitrate Products Co., ...	52,151	16,688	12,880,783
Alunite, silicates and help: Aluminum Potash Co. of America, Stoner Chemical Co., Mineral Products Co., Eastern Potash Corporation, Liberty Potash Co., U. S. Department of Agriculture ...	4,562	2,262	4,070,000
Blast furnace dust: American Manganese Manufacturing Co., Bethlehem Steel Co., Lavingo Furnace Co., Loshel Furnace, Thomas Iron Co.....	2,419	183	3,000
Molasses distilling waste: Mason By-Products Co., U. S. Industrial Chemical Co., Western Industries Co., Puerto Rico Distilling Co.	9,882	3,433	717,861
Cement mill dust: Ogden Portland Cement Co., Riverside Portland Cement Co., Santa Cruz Portland Cement Co., Alpha Portland Cement Co., Clinchfield Portland Cement Co., Copley Cement Manufacturing Co., Dexter Portland Cement Co., Ironton Portland Cement Co., Louisville Cement Co., Newaygo Portland Cement Co., Security Cement & Lime Co., Southwestern Portland Cement Co.....	12,071	1,035	2,021,000
Sugar mills: American Beet Sugar Co., Great Western Sugar Co., Columbia Sugar Co., Holly Sugar Co., Los Alamitos Sugar Co.,	8,609	3,325	921,000
Wood ashes: Baraga Potash Co., Boyne City Potash Co., Wm. T. Campbell Potash Co., Cotter Bros., G. Crestens, P. Englehart, H. Fagon, Fairfield Potash Manufacturing Co., Goodman Lumber Co., Great Northern Manufacturing Co., Iron Mountain Potash Factory, Ladymith Potash Co., Manistique Potash Co., Marquette Potash Co., Madford Potash Co., Oshkosh Potash & Chemical Co., Rhineland Potash Co., Salling Hanson Co., E. A. Thomas, R. W. Trapp, Wausau Potash Co., Wausau Soap Co., West Lumber Co.....	453	269	227,500
Total.....	174,541	48,684	28,696,143

SOURCES OF POTASH IN THE UNITED STATES.

The most striking thing about the sources of potash in the United States is that the supply is practically inexhaustible. In Searles Lake, Calif., it is estimated that there are 20,000,000 tons of potash—enough to meet the total normal demand of the United States for nearly 100 years. In Nebraska there are 3,000 lakes and ponds, varying in size from 1 acre to 600 acres, from whose brines the demands of the United States could be met for many years at the prewar rate of consumption. In Sweetwater County, Wyo., the United States Geological Survey estimates that there are 200,000,000 tons of leucite rock containing 11 per cent pure potash—enough to supply the country's normal demands for 800 years. In all of these places—California, Nebraska, and Wyoming—potash plants have been erected, and potash has been produced in substantial quantities.

The green sands of New Jersey constitute another almost inexhaustible supply, and a large corporation, with a capital of over \$7,000,000 and equipped with a corps of the best chemists and other technical experts that can be obtained, is about to begin producing potash there, its plant having already been erected. It is estimated that these sands will supply the country's needs literally for

centuries, and the sand lies right on the surface, where only steam shovels are required to dig it, and this sand is found not only in New Jersey but stretches in a wide belt from Sandy Hook to Washington, D. C.

We have not mentioned the potash supply in Utah or the possibility and practicability of deriving potash as a by-product from such sources as dust from the cement mills, dust from blast furnaces, and waste from molasses distilleries and beet-sugar refineries. In the year 1919 these by-product sources produced over one-quarter of the country's total production of potash. Nor have we mentioned the lake brines of western Texas, which are not unlike those in Nebraska.

At this point we should explain that potash is derived from the Nebraska, Utah, and California lakes by simply pumping the brine from the lake, removing part of the water by an evaporation process and removing the impurities. The German raw material as it comes from the mines is in mineral form and must be reduced to a solution before the impurities can be eliminated.

Too much emphasis can not be laid on the fact that the supply of potash in this country is well-nigh inexhaustible.

The following statement shows a distribution of domestic production of potash in 1919:

Sources of potash in the United States, 1919.

Source.	Number of plants.	Tons of pure potash.	Per cent of total.
Nebraska, California, and Utah, lake brines.....	14	20,315	65.8
Beet-sugar waste.....	9	3,618	11.7
Molasses distillery waste.....	6	2,802	9.1
Alunite.....	6	2,293	7.4
Dust from cement mills.....	14	1,159	3.8
Wood ashes.....	21	358	1.2
Other sources.....	7	300	1.0
Total.....	77	30,845	100.0

Total value of 1919 production, \$7,836,873. (Figures from U. S. Geological Survey.)

Attention is called to the fact that approximately two-thirds of the total came from the lake brines of Nebraska, Utah, and California. The value of the country's total production in 1919 was \$7,836,000.

Corresponding figures for 1920 are as follows:

Potash production, 1920.

Sources.	Number of producers.	Actual potash (K ₂ O) tons.	Per cent of total.
Natural brines:			
Nebraska lakes.....	8	21,439	44.0
Other brines.....	5	16,688	34.3
Molasses distillery.....	4	3,433	7.1
Steffens waste water.....	3	3,325	6.8
Alunite, silicates, and kelp.....	5	2,262	4.7
Cement-mill dust.....	5	1,035	2.1
Wood ashes.....	18	299	.6
Blast-furnace dust.....	5	183	.4
Total.....	53	48,684	100.0

Potash production by States.

State.	Number of plants.	Available content of potash, K ₂ O.	
		Quantity (short tons).	Percentage of total.
Nebraska.....	8	21,430	44.0
California.....	11	12,013	24.7
Utah.....	3	10,282	21.1
Pennsylvania.....	5	183	.4
New York.....	4	1,739	3.6
New Jersey.....			
Maryland.....			
Virginia.....			
Ohio.....	4	2,733	5.6
Colorado.....			
Porto Rico.....	10	231	.5
Wisconsin.....			
Michigan.....			
Michigan.....	8	64	.1
Total.....	53	48,684	100.0

The following shows the amount of pure potash imported for consumption in the United States from 1905 to 1920, as reported by the Bureau of Foreign and Domestic Commerce, United States Department of Commerce. For convenient reference the domestic production is also shown:

Imports and domestic production.

Year.	Imports.	Domestic production.	Year.	Imports.	Domestic production.
	<i>Short tons.</i>	<i>Short tons.</i>		<i>Short tons.</i>	<i>Short tons.</i>
1905.....	129,000		1913.....	270,720	
1906.....	155,000		1914.....	207,089	
1907.....	144,000		1915.....	48,867	1,090
1908.....	138,000		1916.....	7,835	9,720
1909.....	173,000		1917.....	8,100	32,573
1910.....	279,000		1918.....	7,957	54,803
1911.....	274,000		1919.....	39,619	30,845
1912.....	253,000		1920.....	223,000	48,684

These figures show two interesting things: First, That our total consumption of potash during the war was small. It may be roughly approximated by adding the two columns together. This simply means that many farmers went without potash during the war, and that the farmers suffered untold losses because of the poverty of the soil. Second, That the maximum domestic production, which occurred in 1918, was hardly more than one-fifth of our normal demand. It represented, however, the total demand at the high war prices. The American producers could have doubled their output if the demand had called for production on a larger scale.

In connection with this statement we desire to lay special emphasis upon the alarming extent of the importations in 1920—the total amounted to 223,000 tons of potash. We have already stated that our normal requirements are in the neighborhood of 250,000 tons. This means that the actual importations last year were almost sufficient to meet our normal requirements. And these imported salts were sold at less than the cost of production in this country. Is it any wonder that plant after plant has closed until the whole potash industry is in a condition bordering on absolute prostration?

The following shows from what countries we received our imports in 1920:

Imports of potash in 1920 (short tons).

Exporting country:	K ₂ O tons.
France.....	38, 073
Germany.....	114, 922
Holland.....	10, 001
Belgium.....	29, 442
Total.....	192, 438

NOTE.—Total imports of agricultural potash, from all countries, was 201,000 tons.

No potash whatever is produced in Holland or in Belgium, so the figures for those countries must be assigned either to Germany or to France. Germany still dominates the situation. The total importation of agricultural potash from all sources in 1920 was 201,000 tons, indicating that close to 10,000 tons came from scattered sources.

EFFECT UPON THE FARMER.

There is sometimes a tendency, in discussing this problem, to assume that every farmer in the United States uses potash, and that a very large part of the fertilizer used consists of potash. Both of these assumptions are erroneous. The use of potash as a fertilizer is almost unknown west of the Mississippi River, except in California. The western farmers, therefore, have little or no interest in this matter. It is a surprising fact that the great agricultural States of Illinois, Minnesota, Iowa, Nebraska, Kansas, North Dakota, South Dakota, Wyoming, Colorado, Idaho, Utah, Montana, Washington, and Oregon consumed, in the aggregate, in 1919 only 1.4 per cent of the country's total consumption of all of the fertilizer. Figures for all of the States are given in the following statement:

Consumption of fertilizer by States, 1919.

[Figures as published in the American Fertilizer Handbook for 1920. Partly estimated.]

	Tons.		Tons.
Alabama.....	297, 903	New Hampshire ¹	14, 000
Arizona ¹	500	New Jersey.....	149, 486
Arkansas.....	64, 427	New Mexico ¹	1, 500
California.....	43, 128	New York ¹	410, 000
Colorado ¹	1, 000	North Carolina.....	961, 288
Connecticut ¹	65, 000	North Dakota ¹	1, 000
Delaware ¹	30, 898	Ohio.....	305, 236
Florida.....	250, 613	Oklahoma ¹	40, 000
Georgia.....	990, 919	Oregon ¹	7, 500
Idaho ¹	500	Pennsylvania.....	340, 000
Illinois ¹	45, 000	Porto Rico ¹	21, 815
Indiana.....	241, 000	Rhode Island ¹	9, 000
Iowa ¹	5, 000	South Carolina.....	1, 033, 887
Kansas.....	16, 937	South Dakota ¹	3, 000
Kentucky ¹	103, 000	Tennessee.....	109, 366
Louisiana.....	97, 724	Texas.....	46, 000
Maine ¹	156, 000	Utah ¹	1, 000
Maryland.....	174, 500	Vermont ¹	18, 000
Massachusetts ¹	61, 000	Virginia.....	421, 484
Michigan ¹	108, 284	Washington ¹	4, 000
Minnesota ¹	5, 000	West Virginia.....	63, 000
Mississippi.....	110, 000	Wisconsin.....	10, 000
Missouri ¹	91, 000	Wyoming.....	500
Montana ¹	1, 000		
Nebraska ¹	500	Total.....	6, 927, 322
Nevada ¹	1, 000		

¹ Estimated.

In the territory east of the Mississippi River and north of the Ohio River the farmers use potash to a relatively small extent in the raising of potatoes and garden truck. Over 75 per cent of the potash used for agricultural purposes in this country is consumed in the Southeast. This fertilizer material has been found almost indispensable in the raising of cotton on the southern coastal plain, where the soil is lacking in potash content. The experts tell us that if potash is not applied to the soil the cotton bolls do not fill out near the tops of the plants and that the cotton fiber is much weaker than it is when potash is used. Similarly in truck gardening where the soil lacks potash, as in the Carolinas, the addition of potash to the soil is said to make the vegetable plants stronger, thus enabling the farmer to keep them longer without danger of loss from decay, and to ship them to far distant markets.

We desire to lay emphasis on the fact that it is only in a limited section of the South that potash is used in the production of cotton. Texas, which is the leading cotton State, uses no potash in raising its cotton. In Oklahoma, Arkansas, and Louisiana the use of potash for this purpose is almost unknown.

To correct a false impression that obtains in many quarters, it is necessary to lay emphasis on the fact that even in the few sections where potash is employed it constitutes but a very small percentage—generally less than 3 per cent—of the fertilizer used.

The amount of potash used to the acre depends upon the requirements of the soil and upon the nature of the crop. In the southern coastal plain section they use less than half a ton, or 1,000 pounds, of fertilizer to the acre of cotton. That fertilizer, according to Dr. J. N. Harper, director of the Farm Service Bureau of the South, will contain from 2 per cent to 4 per cent potash, or from 20 pounds to 40 pounds to the acre. The fertilizer principally used in the South is what is known as "2-8-2," which contains 2 per cent potash, or 40 pounds to the ton. This means 1 unit, or 20 pounds of pure potash, to the acre; and this, in turn, means that a duty of 50 cents per unit on pure potash would amount to 50 cents to the acre of cotton. It is our further understanding and belief that while 1,000 pounds of fertilizer should be used per acre on the coastal plain, the average is more nearly 500 pounds or 600 pounds, so that a duty of 50 cents a unit would mean in actual practice more like 25 cents per acre of cotton. About 8 cents per unit should be added to cover the fertilizer mixer's profit of 15 per cent, making a total of about 30 cents per acre of cotton. This, no doubt, explains in large part why no representative of the southern farmers appeared before either committee in opposition to a duty on potash.

We do not concede, and we can not concede, that a tariff of 50 cents per unit on potash would increase by any amount whatever the price of cotton in this country. As previously stated, it is only in a limited section of the South that potash is used in the production of cotton, and we fail to see how a duty on potash would result in an increase in the price.

By a similar calculation with reference to tobacco it can be demonstrated that a tariff of 50 cents per unit, conceding that it will increase the price at all, could not possibly increase the price by more than a maximum of three-tenths of 1 cent per pound of tobacco.

We contend that a duty of 50 cents a unit, which amounts to, roughly, 30 cents per acre of cotton in the limited region where it is used and to three-tenths of a cent per pound of tobacco, is not excessive.

We specially ask the committee not to be misled or confused by figures showing the cost or value per ton of pure potash. The farmer does not apply pure potash to the soil. His fertilizer will average about 2 or 3 per cent potash. To say that a ton of pure potash costs \$100 is very misleading when discussing the fertilizer question, because the farmer uses only 40 to 60 pounds of potash to the ton of fertilizer. The farmers use on the average only 40 pounds of potash to the ton of fertilizer, and even if pure potash, which they do not use as fertilizer, costs \$100 a ton, this cost of potash amounts to about \$2 per ton of fertilizer, and a duty of 2½ cents per pound would amount to only \$1 per acre.

The following table is reproduced from page 205 of the testimony before the Committee on Ways and Means on June 17, 1919 :

Kind of fertilizer.	Avail-able phosphoric acid.	Am-monia.	Pot-ash.	Kind of fertilizer.	Avail-able phosphoric acid.	Am-monia.	Pot-ash.
	Per c.	Per c.	Per c.		Per c.	Per c.	Per c.
Trucker's choice.....	6	4	3	Bean and pea special.....	6	5	3
Tropical vegetable grower.....	8	3	3	Georgia State standard.....	8	2	2
Tree and nursery formula.....	6	4	3	Complete fertilizer.....	8	4	2
Citrus trees.....	8	3	3	Special for orange trees.....	8	4	3
Special strawberry.....	5	4	2 1/2	Irish potato special.....	8	4	3
New strawberry.....	8	2	3	Tomato special.....	7	4	3
Lettuce.....	6	4	3	Georgia farmers' standard....	9	2	1
Do.....	5	6	3	Cotton boll guano.....	8	2	2
Special for lettuce and celery.	5	.5	3				

This is a list of fertilizer mixed and offered for sale by one of the largest fertilizer manufacturers in the United States, the Virginia-Carolina Chemical Co. We call attention to the very small percentage of potash contained in these fertilizers. It will be seen that the average runs about 2 or 3 per cent. That is to say, a ton of fertilizer, or 2,000 pounds of fertilizer, ready for application to the soil, usually contains not more than 40 to 60 pounds of potash.

At the hearings before the House committee in June, 1919, one of the most intelligent statements on the potash situation was made by Hon. E. C. Hutchinson, a Representative in Congress from the State of New Jersey and a practical farmer. Mr. Hutchinson's statement is of particular value because he is also a manufacturer of fertilizer and has had extensive experience in the use of fertilizer materials.

Mr. Hutchinson was testifying in opposition to the licensing bill. He said in part:

"I do not want to be placed in the position of opposing protection for the potash industry. I would rather see that industry fostered until it has grown to a point where it will be able to take care of itself, but potash is so important to the agricultural development of this country that it is doubtful whether this committee would feel like recommending a duty on foreign potash sufficient to enable the American manufacturers to compete with the foreign producer. * * *

"I do not know just what the American manufacturer wants, but I am absolutely opposed to a license system. * * *

"Personally, I do not believe that the average farmer would object to a duty of 25 cents or even 50 cents per unit on actual potash if that would help our manufacturers of American potash, but with that I can not see how they can compete with foreign producers. * * *

"I suggest that if it is necessary to protect the potash industry of America we ought to put on a duty of 25 or 50 cents a unit."

The maximum duty in the bill as approved by the House of Representatives is the second figure suggested by Mr. Hutchinson, namely, 50 cents per unit.

The broad-minded attitude of the farmers toward this question is also shown by the testimony of Mr. Thomas C. Atkeson, Washington representative of the National Grange, at the hearing on the licensing bill in June, 1919:

"The grange is heartily in favor of developing our domestic potash possibilities to the fullest extent compatible with sound economics, and if possible to make this country entirely independent of foreign countries. Whether this can be done is certainly problematical, and if it is to cost the American consumers several times as much as it would cost from some other source, it might be well to proceed only in an experimental way, until we have demonstrated that it can be produced commercially without too great expense for economic use."

Further along in his testimony Mr. Atkeson took an equally broad view toward the tariff question generally. To quote:

"The grange is neither a free-trade nor a protective-tariff organization. Upon that question at its last session the National Grange took this action:

"Reaffirming the grange position of former years, we demand in the readjustment of tariff schedules that agricultural products be given the same protection as other commodities."

"So long as protection is the policy of our Government, the grange will demand that farm products shall not be discriminated against, and if we must pay a tariff on our potash and other fertilizers we must find some way of passing this increased cost up to the consumers of farm products. There may be and probably will be a general tariff revision within the next five years, when that feature of the bill will have to be gone over again."

The position of the American farmer, as set forth above, is, first, that it is desirable from the farmer's point of view to develop an American potash industry if it can be done without imposing an undue burden on the farmer; and, second, that the grange would not oppose a fair and reasonable duty on potash provided that a fair and reasonable duty is imposed upon farm products. This would seem to be fair play, and fair play is all that we ask.

THE SOUTHERN TARIFF CONGRESS.

The Southern Tariff Congress, on January 27, 28, and 29, at Atlanta, Ga., in the very heart of the territory where the largest amount of potash is consumed, adopted without a dissenting vote a resolution expressing approval of a protective tariff on potash. It is not without significance that there has not appeared before either the House committee or the Senate committee any person contending that this resolution of the Southern Tariff Congress does not fairly reflect the views of the southern farmers.

COST OF PRODUCTION.

Every one of the potash plants being now closed, it is impossible to furnish current costs of production. We know that in 1920 the average cost was in the neighborhood of \$2 per unit. We know also that since that time some of the principal items of cost have been nearly cut in half. A few of the larger plants which were the last to shut down report that they were getting their costs down close to \$1 per unit. One of the largest Nebraska producers is now offering potash at the price named in the German contract, 64 cents per unit, plus the duty proposed in the pending bill. The increasing use of solar evaporation and the discovery that valuable by-products can be derived from the crude material are constantly working for lower costs. The larger producers are confident, therefore, that the proposed duty will enable them to reopen their plants and compete successfully with the German product.

Current quotations of the better grades of potash are in the neighborhood of 75 cents per unit.

A year and a half ago we showed a war cost per unit of \$4.24. We predicted that by 1920 we could reduce our costs to \$2.64 per unit. Some seemed to doubt whether we could do it. Some of our opponents said that we could not possibly do it. The figures here submitted show that we have done it, and that we have done even more than we promised. In fact, the reductions in cost have far exceeded our own expectations.

Much further reduction in cost is possible if we can keep our plants in operation long enough to demonstrate the possibilities of our industry.

One of the largest items of expense in the production of potash from the western lakes has been the cost of coal used in the process of evaporation and the cost of fuel oil. It has been demonstrated that solar evaporation is entirely practicable in many instances and that it substantially reduces cost. The lake brine is spread out on the desert, as it were, and the sun's rays perform a large part of the evaporation. Solar evaporation is now employed at several of the plants and will be extended to others.

Again, purer salts, with a larger percentage of K_2O , can be produced by improving the separation processes. It is reasonably certain that the Nebraska salts can be improved so that they will contain over 40 per cent pure potash instead of about 25 per cent. It has been discovered that the Nebraska salts contain, roughly, 50 per cent soda ash. Heretofore no successful attempt has been made by the Nebraska producers to separate out the soda ash, but, on the contrary, it has been shipped with the potash merely as a filler. It has now been demonstrated that by a moderate additional investment the soda ash can be separated out and successfully marketed. There is a large and growing demand throughout the country for soda ash, which is used in the manufacture of soaps, scouring materials, glass, and for various other purposes. At a conservative estimate this soda ash, which heretofore has practically been given away, can be sold f. o. b. the potash mills at a price of \$20 or \$25 per

ton. If this can be accomplished, as it seems certain that it can, the saving will amount to at least 16 cents per unit.

We also have hope of a substantial reduction in the freight rates on our potash to eastern markets. Such a reduction has been tentatively promised by the railroad authorities and has already been made effective from California to the North Atlantic seaboard. This means a saving of nearly 10 cents a unit. With the substantial decline in vessel costs the California producers are planning to ship to the Atlantic seaboard by water at rates substantially lower than the rail rates.

We can not expect economies or make improvements if our plants are not in operation. We must have for a short time the assistance that is necessary to demonstrate these wonderful possibilities.

Here is an industry that holds out great promise. It has merely started upon its career. While the engineers and the chemists are striving earnestly to place this industry upon a basis where it can support itself; while its great possibilities are being intelligently and energetically explored; while the banks are withholding the necessary credit for these improvements only because the protection is lacking; under all these circumstances it is simply unthinkable that a Congress, pledged to the fair and reasonable protection of American industry, will not lend a helping hand.

A RETURN TO ELEMENTARY PRINCIPLES.

It is sometimes desirable to return to elementary principles. College professors, with free-trade leanings, are wont to lay down certain rigid requirements, which they say must be met before an industry is entitled to protection:

1. The industry should be required to show that it rests upon a firm economic foundation; that is to say that it has the raw materials, the machinery, the labor, and the necessary markets.

We have already demonstrated that the potash industry in this country is made possible by an almost inexhaustible supply of raw material in convenient and accessible form. We have shown that the supply is not only available, but that it would meet our normal demands literally for centuries. The plants and the machinery are ready, too, and have been until the last few months in active and successful operation, with an adequate labor supply. No one will deny that we have the necessary markets, for the American farmers are in constant need of potash, and have expressed a desire to be independent of the German monopoly. With the raw material present in abundance, with the market absolutely assured, and with capital and labor waiting only for the signal from this Congress to open the plants and produce potash on a large and constantly increasing scale, who will deny that the potash industry rests upon a firm economic foundation?

The second proposition laid down by the free trade professors is as follows:

2. The industry should be required to show that the foreign product can actually be marketed in this country to an extent that seriously threatens the welfare of the home industry.

We have shown that the actual importations of potash into this country in 1920 were 223,000 tons. This comes dangerously close to equaling our total normal consumption; and the boats are arriving almost every day from European ports carrying Germany potash, which is sold at prices substantially below our cost of production. We need only refer to the German and French contracts for proof that foreign competition is a stern reality.

The third requirement is as follows:

3. The industry should be required to show that to grant the protection asked will not result in a virtual monopoly here, allowing our own producers to wring exorbitant prices from the people.

We have demonstrated that the potash plants of this country are widely scattered and in the control of numerous competing companies. The members of our association are in active and constant competition. There is not even the semblance of a trust or combination in restraint of trade. The inexhaustible supply of potash in this country and the innumerable sources from which it can be obtained preclude the possibility of a monopoly. We feel that we have met this requirement to the extent of 100 per cent.

The fourth proposition is as follows:

4. The industry should be required to show that the amount of protection asked is not excessive.

We have demonstrated that a duty of 50 cents per unit on potash would amount to approximately 30 cents per acre of cotton in the limited section where it is used in the growing of cotton, and to less than one-third of a cent per pound of tobacco. We have also shown that a prominent representative of the New Jersey farmers suggested a tariff duty of 25 cents or 50 cents per unit. We do not think it will be seriously contended that the amount of protection which we have requested is excessive.

The fifth proposition is as follows:

5. The industry should be required to show that it is an infant industry.

Our industry is only four or five years old. It is truly an infant in the industrial world, born of the necessities which confronted the Nation during the war, but resting on a firm economic foundation which justifies its continuance in time of peace. It is so absolutely apparent that the potash industry is in its infancy that it is not necessary to argue the matter.

6. The industry should show that to grant the protection asked will produce a reasonable amount of revenue for the Federal Treasury.

We have demonstrated that our normal consumption of potash is about 250,000 tons; that our maximum of production was about 50,000 tons; and that if the balance of 200,000 tons is imported, a duty of 50 cents a unit will provide for the Federal Treasury \$10,000,000 annually.

7. The industry may show, although this is not absolutely required, that it is essential to the Nation in time of war.

The sudden cessation of potash shipments from Germany in 1914 created an alarming and dangerous situation. Our farmers and our Government were brought face to face with the discomfiting fact that we were wholly without potassium salts, which are absolutely essential in certain kinds of farming and in certain essential industries. It was largely at the request of and with the encouragement of the Government that private capital entered this field. It found an untold wealth of raw material in western lakes waiting only for American ingenuity, with the reasonable encouragement of the Government, to create a large and profitable industry. And in a short time it demonstrated beyond question that America can be, and should be, independent of Germany in the matter of potash production. The Nation will be unfaithful to itself if it permits this essential industry to die and place us again in a position of absolute dependence upon European potash.

The last requirement is as follows:

8. The industry should be required to show that its possibilities are such that it may reasonably be expected within a reasonable time to stand upon its own feet; in other words, that it is not a "hot-house" industry which will need perpetual assistance from the Government.

One of the most encouraging features of the potash situation is that within a few years it will certainly need no protection whatever. We do not intend to remain an infant very long. Some of our plants are beginning to employ separation processes and evaporation processes that will effect a substantial saving in cost of production. We are making earnest efforts to increase the use of solar evaporation, which will largely eliminate one of our principal items of expense. We are developing separation processes that will enable us to ship a purer product. We are earnestly and energetically exploring the by-product possibilities of the industry, which seem to be almost infinite. We have shown you that the Nebraska producers discovered only recently that their salts contain soda ash, worth from \$20 to \$25 a ton, which heretofore they have given away. We are absolutely confident that we shall be able, within a very few years, to stand upon our own feet.

We have taken up one by one the several propositions laid down by the economists and have shown that the potash industry in this country meets the requirements almost to the extent of 100 per cent in every instance. It is for that reason that we have the utmost confidence in favorable action on your part. If we are able to meet the exacting requirements of the free trade economists we ought to fare well at the hands of a Congress pledged to the reasonable support and encouragement of American industry.

STATEMENT OF CHARLES J. MCCARTHY, HONOLULU, HAWAII.

Mr. MCCARTHY. Mr. Chairman, I should like to introduce a telegram from the Hawaiian Fertilizer Co. (Ltd.), dated December 8 and addressed to me.

In this connection, I should like to say that Hawaii is an agricultural country and that we produce sugar under abnormal conditions. Even on virgin soil we use fertilizer. I can not give you the amount of fertilizer that we use, but it is a very large quantity. At the present time our people are selling their sugar at less than the cost of production. As the price of everything that goes into the production of sugar has increased, our people will be great sufferers if they have to pay an increased price for fertilizer.

Senator SMOOT. What duty are you asking for?

Mr. McCARTHY. We want a duty on sugar.

Senator SMOOT. Yes; you want a duty on sugar, but you do not want to give anybody else any duty because it will mean about 15 cents to the cane growers in Hawaii. I think it is a pretty small business, don't you?

Mr. McCARTHY. So far as that is concerned, Senator Smoot, I think the whole tariff proposition is pretty small business. Each one is inclined to look out after his own interests.

Senator SMOOT. I should like to see a protective duty for the Hawaiian people, but I want you to tell the people of Hawaii—that is, the sugar growers—that it is very small business, in my opinion, for them to want \$1.60 on every 100 pounds and then to come and object to 15 cents, as that is about what it would amount to per acre. Personally, I do not like it at all.

Mr. McCARTHY. I think that is all I have to say.

(The telegram introduced by Mr. McCarthy is as follows:)

HONOLULU, December 8, 1921.

WLT KALEPA,

(*Cr. O. J. McCarthy, the Benedict*), Washington:

Proposed Fordney permanent tariff bill places duty on fertilizer materials—ammonium nitrate, ammonium phosphate, ammonium sulphate, potassium nitrate, and potash salts. Believe matter hands Senate Finance Committee. We protest these duties as detrimental to agriculture, adding cost of food products, particularly sugar. Duties not needed to encourage production, for supplies exceed demand.

HAWAIIAN FERTILIZER Co. (LTD.)
PACIFIC GUANO & FERTILIZER Co.

STATEMENT OF T. C. ATKESON, WASHINGTON, D. C., REPRESENTING THE NATIONAL GRANGE.

All forms of potash used chiefly as fertilizers should be admitted to the United States free of duty, in line with all other fertilizer materials.

The necessities of American farmers for supplying the depleted fertility of their soil and for increasing the quantity and decreasing the cost of production of certain staple and necessary farm crops, notably cotton, corn, tobacco, potatoes, root crops, and certain fruit and truck crops, has led in recent years to the necessity for large quantities of potash as a fertilizer. The imports of potash have grown to the large total of 250,000 tons per year, 90 per cent of which is bought by farmers. This material is placed on the free list in the bill which is before you, but included in the potash item appears a provision deferring the duty-free entrance of potash until five years after the bill takes effect and charging a duty equivalent to 2½ cents per pound for the first two years, 2 cents for the third year, 1½ cents for the fourth year, and 1 cent for the fifth year. It has been carefully estimated that for the five years, assuming that this duty does not materially reduce the amount of potash used, which would of itself be a calamity, will cost the farmers approximately \$40,000,000.

This rate of duty would cost the farmers more than this, for it would immediately permit American potash producers to raise their prices to the level of foreign cost plus the duty, and so would add approximately one-fourth as much for the domestic potash production is estimated at one-fourth the foreign, or an additional \$10,000,000.

If this rate of duty should do what its advocates assert, namely, develop a domestic supply large enough to supply all used here, the cost to the farmer would continue to be for this five years not less than the \$50,000,000 above what a foreign supply of the same amount would cost.

The question which I wish to place before this committee is this: Is the end sought by the advocates of this tariff—that is, the development of an American potash industry—worth this cost, which will fall not alone on the farmers of the country, but will be either passed on to the consumers of farm crops or else become another item in the burden of heavy costs, which is the chief cause of present agricultural depression? It is my judgment that the farmers ought not to be asked to carry this burden. If the American potash industry is worth saving, it should be saved in some other way than by taxing the farmers \$50,000,000 in order that the potash industry can get \$10,000,000 more money for its production of one-fifth the total potash used for fertilizers.

I am fully in accord with the frequently reiterated position of the National Grange that when the policy of the Government is in favor of a protective tariff farmers demand the same degree of protection as is granted to other industries. I am in accord with the proposition that the American potash industry should be given every possible opportunity to become a prosperous American industry, helping make this country nondependent on other countries, and adding to national wealth and prosperity. But I am not in accord with a proposition which will plainly result in taxing four or five times the estimated assistance which this industry needs to put itself into a position of being able to compete with foreign producers of potash against the farmers of the country in the form of a tariff for general revenue purposes. The gross injustice of the proposed high tariff rate on such a small and specialized industry is manifest. In justice to all the food consumers as well as the farmers, I ask the committee to eliminate the potash duty, leaving potash on the free list, where it always has been; and if something must be done to develop American potash resources, it should be done in some way which will not penalize American agriculture.

POTASSIUM AND SODIUM CYANIDES.

[Paragraphs 1636 and 1654.]

STATEMENT OF P. SAMUEL RIGNEY, REPRESENTING THE ROESSLER & HASSLACHER CHEMICAL CO., NEW YORK, N. Y.

The CHAIRMAN. Mr. Rigney, for the record, please state your full name, address, and whom you represent.

Mr. RIGNEY. P. Samuel Rigney, assistant treasurer of the Roessler & Hasslacher Chemical Co., New York City.

The CHAIRMAN. What do they make, principally?

Mr. RIGNEY. The article I am here to speak on to-day is cyanide. We manufacture other products, but one of our principal products is cyanide. It is now on the free list under paragraphs 1636 and 1654, potassium cyanide and sodium cyanide.

The CHAIRMAN. Will you proceed and state your views to the committee?

Mr. RIGNEY. Primarily, we are requesting that all cyanide salts be grouped under a separate paragraph. I have gone into that more fully in my brief.

Heretofore it has been considered separately as potassium cyanide and sodium cyanide. There is also barium cyanide and calcium cyanide, and in order to protect the industry we feel that all cyanide salts should be grouped together.

This request is to a certain extent justified by the report of the Tariff Information Surveys. They group potassium cyanide and sodium cyanide together, and describe in detail the various processes under which cyanide is made. The Castner process, invented by an American citizen, Hamilton Y. Castner, is the process employed by

our company. Our company years ago acquired the right to use this process, but the patents under which we manufacture have all expired. Therefore, we have no monopoly in the manufacture of cyanide under this process.

The cyanamid process is used by the American company having its manufacturing plant in Canada. By this process a low-grade cyanide is produced by fusing crude cyanamid with ordinary salt. This process is protected by both United States and Canadian patents.

The Bucher process was developed by Prof. Bucher, of Brown University. The United States Government expended large sums of money in attempting to demonstrate the commercial value of this process, but so far as we have been able to learn it has been proven a success from a chemical standpoint only.

Senator SMOOT. Do you want it taken from the free list?

Mr. RIGNEY. We want it taken from the free list.

Senator SMOOT. And what duty do you want placed on it?

Mr. RIGNEY. Under present conditions, we feel justified in asking for either 33½ per cent ad valorem or a specific duty of 7 cents per pound. We arrive at those figures in this way: Going back to prewar prices of 1914 our average price was 21 cents. The German price was 14.3 cents, and taking one-third of 21, which is 7, and adding that to 14.3, makes 21.3, thus averaging the prewar cost in Europe and the prewar price here.

Senator SMOOT. Fourteen and three-tenths cents was the cost in Germany?

Mr. RIGNEY. Yes, 1914.

Senator SMOOT. And your cost is what?

Mr. RIGNEY. Our price in 1914 was about 21 cents, varying according to the production.

Our costs to-day are very much higher than that, because of the increased cost of labor, raw material, and power, together with the additional taxes resulting from the war.

The rate of duty suggested will not be prohibitive, in view of the present difference in labor costs in Europe and in the United States and because of the depreciation of the German mark.

Prior to 1914 and under the protection afforded by the Payne-Aldrich law, we built up the manufacture of sodium cyanide in this country to the point where we were producing approximately 10,000,000 pounds per annum. About 9,000,000 pounds were imported from Germany. When the importations ceased at the beginning of the World War, we increased our organization and plants, so that in 1917 and 1918 we were turning out something over 17,000,000 pounds per year, thus meeting all the requirements of the United States. With proper protection we can increase this output to meet all demands.

Within the last year or year and a half the country has been flooded with German importations and with the importations of a low grade of cyanide manufactured in Niagara Falls, Ontario, Canada. The prices at which cyanide is offered by the German and Czechoslovakian manufacturers at this time are from 6 to 8 cents a pound lower than the production cost at the present time in this country.

We can not make a satisfactory comparison with the cost of the Canadian material, as it is manufactured under an entirely different process, from different raw materials, and is of low grade. Our cyanide is sold under a guaranty of 96 to 98 per cent sodium cyanide. The cyanide that is coming from Canada tests from 40 to 46 per cent sodium cyanide and is sold at a low rate.

Our Canadian competitor just across the Niagara River gets its hydroelectric power at about one-half the price we are obliged to pay on the New York side. Canadian power companies enjoy what is practically a government subsidy in that they are not obliged to pay either Dominion or local taxes. Hydroelectric energy is a very important factor in the production of cyanide and is a large element of its production cost.

We have a plant at Niagara Falls, N. Y., another plant at Perth Amboy, N. J., and a raw materials plant at St. Albans, W. Va. I want to point out in passing that our raw materials plant at St. Albans, W. Va., has been closed for several months; our Niagara Falls plant is working about half time; the finished material plant at Perth Amboy, N. J., suspended operations during the past season for several months, after which we resumed operations for a short time but have again suspended.

Senator SMOOT. What are you selling cyanide for to-day?

Mr. RIGNEY. Cyanide is sold to the mines to-day and to the fumigators in carload lots at 21½ to 23 cents per pound. Smaller quantities bring a correspondingly higher price.

The CHAIRMAN. Is not one explanation of the fact that you are not doing much business that there are no consumers of your article at this time?

Mr. RIGNEY. No, sir; that is not quite correct.

The CHAIRMAN. Most of the mines are shut down, as I understand it.

Mr. RIGNEY. The information heretofore obtainable was incorrect in this particular, Mr. Chairman. The mines are not by any means the largest consumers of cyanide in the United States to-day. A few years ago that was true, but it is not true to-day.

The CHAIRMAN. Who are the consumers of your product?

Mr. RIGNEY. The electroplaters, the rustproofers, those engaged in the heat treating of steel and iron, and the fumigators are the principal consumers.

The CHAIRMAN. The great bulk of your consumers are closed down, are they not?

Mr. RIGNEY. For a proper comparison it would be necessary to consider last year, when the industry had not reached the depressed condition that it has to-day. You will see that last year, according to the figures furnished by the Department of Commerce, the imports of sodium cyanide were something over 7,700,000 pounds, and of potassium cyanide 13,300,000 pounds.

Senator WALSH. How did that compare with 1914?

Mr. RIGNEY. It is much larger.

The CHAIRMAN. The total consumption is how much?

Mr. RIGNEY. Under normal conditions prior to the war, the total consumption was approximately 18,800,000 pounds per annum, which requirement we alone met during the war, and our plants are now equipped for that purpose.

I would like to say to the committee there has been some comment in the press this morning that there are differences between the figures given by the proponents who offered testimony here and the figures as submitted by the different governmental experts. In their reports of the amount of cyanide imported, their figures, adding together sodium cyanide and potassium cyanide, are something over 20,000,000 pounds. That is correct so far as poundage is concerned, but our statistics are based upon the standard of 96 to 98 per cent sodium-cyanide content. In practically all of the 13,300,000 pounds imported from Canada the sodium-cyanide content was under 50 per cent, while the statement in our brief showing that importations of 1920 were approximately 15,000,000 pounds is based on a sodium cyanide of 96 to 98 per cent.

Senator Smoot: That would make a big difference?

Mr. Roney: It does make a big difference. I worked it out hurriedly, and found the figures, based on the standard strength of sodium cyanide, would equal approximately 15,000,000 pounds.

This is an essential industry in war and in peace. During the war our organization supplied cyanide to about 30 American firms engaged in the manufacture either of arms or ammunition. Hundreds of tons of cyanide were supplied to manufacturers of automobiles and auto trucks for Government use. Health boards and port officers were supplied with large quantities of cyanide for fumigating purposes.

To prevent the ravages of insects in the citrus groves of the Pacific coast in times of peace as well as war from 1,000 to 1,500 tons are required annually to develop hydrocyanic-acid gas. From 2,000 to 3,000 tons of cyanide are required annually for use in mines of the United States in the extraction of gold and silver from the low-grade ores.

Modern methods of electroplating and rust proofing of metals can not be employed without the use of cyanide. These two industries now lead in the consumption of cyanides.

The latest and most improved methods of surface hardening of steel and the heat treating of steel and iron require the use of cyanide.

This is one of the few industries that did not attempt to make an enormous profit from the conditions produced by the war.

Our labor cost and our raw materials cost increased from 1914 to 1918 slightly over 100 per cent.

Due to the fact that the production of cyanide at our plants was very large, the overhead necessarily was reduced, and the greatest increase to any of our customers was 60 per cent.

One of the largest consumers of cyanide in the mining industry, the Homestake Mining Co., used during the years 1914 to 1920, inclusive, sodium cyanide 96 to 98 per cent in the quantities and at the prices as follows:

Year.	Quantity.	Value.	Price.	Year.	Quantity.	Value.	Price.
	<i>Pounds.</i>		<i>Cents.</i>		<i>Pounds.</i>		<i>Cents.</i>
1914.....	360,000	\$67,338.00	18.70	1918.....	110,000	\$33,000.00	30.00
1915.....	322,822	65,082.56	20.18	1918.....	50,000	12,500.00	25.00
1916.....	282,000	65,565.00	23.25	1919.....	250,000	63,750.00	25.50
1917.....	350,000	87,500.00	25.00	1920.....	250,000	53,750.00	21.50
1917.....	30,000	9,000.00	30.00				

So far as the citrus industry on the Pacific coast is concerned, it is a well-known fact that this industry can not go on without fumigation by hydrocyanic-acid gas, which is developed from cyanide. With your permission I would like to read into the record a part of a letter received by us from Mr. Hutchens, the manager of the Fruit Growers' Supply Co., of Los Angeles, Calif., dated February 21, 1921, as follows [reading]:

While the supply of cyanide was naturally curtailed somewhat and limited to our actual requirements during the war period, owing to the imperative demand for the material for other purposes, our supply, as I recall it, was sufficient to cover our needs, and in no instance that I recall did our members suffer loss through failure to receive cyanide.

The membership of Fruit Growers' Supply Co. represents approximately 75 per cent of the citrus industry of California.

The Fruit Growers' Supply Co.'s dealings with the R. & H. Co., covering a term of years, have been very satisfactory and we believe have resulted in material benefit and saving to our members. The failure of the R. & H. Co. to abrogate their contract for cyanide under the war clause during that period was greatly appreciated by us.

The advance in the annual price charged the Supply Co. for cyanide during the war period covered, as we understood it, the increased cost of production only, and did not take into account the increased selling value of the material.

The foregoing is used by permission.

As a further indication of the manner in which business is done by our organization and of the appreciation thereof by our customers, I desire to quote from an unsolicited letter of the 3d of this month from one of our large customers:

While, of course, it is welcome to us to receive lower prices on any of our supplies, on account of the necessity of manufacture at cost or less which we are now facing, yet, on account of our past experience with you and recognizing the attitude you took to all your customers during the war, we always accept any statement you make as to costs or prices without question and only regret that your margin of manufacture is not greater.

Permission not having been obtained from the customer, on account of lack of time, the name of the writer is withheld but will be furnished if desired.

Senator SMOOR. How much cyanide of potassium is manufactured in the United States?

Mr. RIGNEY. No cyanide of potassium at this time, but cyanide of sodium is manufactured in the United States. We are manufacturers of sodium cyanide.

Under the Dingley Tariff Act the duty on potassium cyanide was reduced from 25 to 12½ per cent. Sodium cyanide was not known commercially at that time. The Payne-Aldrich Act continued the duty on potassium cyanide at 12½ per cent but contained no reference to sodium cyanide. Sodium cyanide was, however, held dutiable under the provisions of the act of 1909 as a chemical compound (T. D. 32681).

Our company gave up the manufacture of potassium cyanide and took up the manufacture of sodium cyanide, as the reduced duty on potassium cyanide made it impossible for us to compete with the foreign manufacturer.

The CHAIRMAN. Are they used for different purposes?

Mr. RIGNEY. They are used for practically the same purpose.

The CHAIRMAN. They were on the free list under the McKinley bill, were they not?

Mr. RIGNEY. I do not know, but under the Payne-Aldrich Act the duty on potassium cyanide was 12½ per cent, and sodium cyanide, under the basket clause, was 25 per cent.

Senator Smoor. What I was getting at was that the importations of cyanide of potassium amounted to 13,352,208 pounds in 1921—that is, for the 12 months ending June 30, 1921—and I notice in the importations for the year 1918 down to June of this year the price of potassium cyanide is about 7 cents, sometimes 7½. Potassium cyanide is a cheaper article than cyanide of sodium. It is made cheaper; and what are you selling the sodium cyanide for now?

Mr. RIGNEY. High-grade potassium cyanide is not cheaper. Our large contracts for sodium cyanide are made at 21½ to 23 cents, while a higher price is charged for small lots. Will you allow me, Senator, to explain that difference?

Senator Smoor. What you stated was that you figured upon it being ninety-some per cent?—

Mr. RIGNEY. Our cyanide is 96 to 98 per cent, and that mentioned in the report is the product of the American corporation operating in Canada making a low-grade material, which they are to-day entering as potassium cyanide, but it is not potassium cyanide. It contains about 40 per cent sodium cyanide instead of 96 to 98, which is the recognized standard.

The inconsistencies of the present tariff act as passed by the House of Representatives are very apparent. The principal raw material of sodium cyanide is caustic soda. It takes about 1 pound of caustic soda to make a pound of sodium cyanide. The duty on caustic soda under the Underwood tariff was one-fourth cent per pound; the proposed act has doubled that duty to one-half cent per pound.

Senator Smoor. Your 15 minutes is up, and I was wondering whether you had put in your suggested amendment.

Mr. RIGNEY. We have in our brief. One of the other essential raw materials is anhydrous ammonia. It takes practically one-half pound of anhydrous ammonia to make a pound of sodium cyanide. Anhydrous ammonia paid a duty of 2½ cents a pound under the Underwood Act; and it is allowed to remain at that rate under the present bill. But I know that manufacturers of ammonia have either appeared before your committee or will appear before your committee asking that the duty be increased.

These are the two principal raw materials. The other raw material is charcoal, and that is on the free list.

Here is a finished product which requires two separate processes in manufacturing. A large percentage of the cost is for labor, and an equally large percentage for power. It is left on the free list, while two of the principal raw materials used in its production are made dutiable at a comparatively high rate.

Senator Smoor. The two materials you speak of are what?

Mr. RIGNEY. Caustic soda, the proposed duty on which is one-half cent per pound; and the other is anhydrous ammonia, with a duty of 2½ cents per pound.

I thank you, gentlemen, and respectfully request that the brief submitted herewith be printed in the record.

**BRIEF OF P. SAMUEL RIGNEY, ASSISTANT TREASURER THE ROESSLER & HASS-
LACHER CHEMICAL CO., NEW YORK, N. Y.**

In revising the tariff bill (H. R. 7456) we respectfully request that potassium cyanide and sodium cyanide be taken from the free list, paragraphs 1636 and 1654, respectively, and reclassified under a new paragraph with a duty of either 33½ per cent ad valorem or 7 cents per pound specific.

In order that the cyanide industry built up under the protection afforded by the Payne-Aldrich Act, and enlarged and extended during the World War to meet all the requirements of the United States, be adequately protected, it is essential that all cyanide salts, irrespective of the carrier used, be dutiable at the same rate. The available cyanogen in such salts being the valuable active constituent of the cyanide, while the potassium, sodium, barium, calcium, or other substances simply act as vehicles for the cyanogen, it is therefore suggested that in order to facilitate the work of the customs officials, as well as establish a uniform rate of protection on this commodity which may be designated by various trade names, a new paragraph be inserted in the tariff act, immediately following paragraph 90, to read as follows:

"PAR. 31. Cyanide: Potassium cyanide, sodium cyanide, all cyanide salts and cyanide mixtures, combinations, and compounds containing cyanide, 33½ per cent ad valorem (7 cents per pound specific)."

Potassium cyanide, sodium cyanide, and other cyanide salts are generally used for the same purposes. Practically all of the potassium cyanide used in the United States is imported, as the manufacture thereof in this country was discontinued when the duty thereon was reduced from 25 per cent to 12½ per cent under the Dingley Tariff Act. The manufacture of sodium cyanide was then taken up and under the protection afforded by the Payne-Aldrich Act (25 per cent ad valorem) the industry was built up in this country, so that it was in a position at the beginning of the World War to supply a sufficient quantity of sodium cyanide to meet the requirements of the United States. Since the close of the World War, particularly during the last one and a half years, this country has been flooded with both sodium cyanide and potassium cyanide, said commodities being on the free list under the present tariff act.

RAW MATERIALS.

The raw materials used in the manufacture of sodium cyanide in the United States are caustic soda, anhydrous ammonia, and charcoal. All of these materials are produced in the United States, and during the year 1919 approximately 15,000,000 pounds of caustic soda, 6,000,000 pounds anhydrous ammonia, and 7,500,000 pounds of charcoal were used by your petitioner in the manufacture of sodium cyanide.

USES OF CYANIDE.

Due to the untiring efforts of the experts in the employ of this company, many new and important uses have been developed for cyanide, principally among these being new methods in electroplating and the heat treating of steel. The electroplating industry now consumes approximately 30 per cent of all the cyanide used in the United States, while about 20 per cent of such consumption is devoted to heat treating of steel. About 25 per cent of the annual consumption is used in the gold and silver mining industries, while 15 per cent of such consumption is used for fumigating purposes in the citrus industry on the Pacific coast, and at border ports and railway terminals for the protection of the public health and welfare by exterminating animal and insect life detrimental thereto. Approximately 10 per cent of the normal consumption is used in the dye and color industry and various other industries.

PRESENT COMPETITION.

The German and Czechoslovakian manufacturers of cyanide have a decided advantage over the American manufacturer in the shape of cheap raw materials and low rate of wages. The wages paid to skilled help in the chemical industry in the United States is five times as much as that paid for similar labor in Germany, and Czechoslovakia, while the rate paid for common labor in the United States is three and one-half times as much as that paid for common labor in central Europe.

A corporation organized under the laws of the State of Maine conducts a plant at Niagara Falls, Ontario, Canada, where a low grade of cyanide (about 24 per cent cyanogen) is manufactured and shipped to the United States in large quantities. This company enjoys the advantage of Canadian hydroelectric power at about one-half the rate paid by your petitioner at its plant on the New York side of the Niagara River.

THERE IS NO MONOPOLY IN THE UNITED STATES.

The Roesler & Hasslacher Chemical Co. has no monopoly on the manufacture of cyanide, as all its patents under which cyanide is manufactured in the United States have long since expired. It is a fact, however, that the processes used by the above-mentioned American company, in the manufacture of cyanide at its plant in Canada, are protected by live patents, both in the United States and Canada.

NOT A GERMAN CONCERN.

The Roesler & Hasslacher Chemical Co. was organized under the laws of the State of New York, in May, 1889, since which time its management has been in the hands of either a native born or naturalized American citizen. When war was declared between the United States and Germany approximately 47 per cent of the stock of said company was owned by Germans. This stock was turned over to the Alien Property Custodian as soon as a demand for same was made by him. The title to a part of the stock owned by American citizens was questioned by the Alien Property Custodian and actions are now pending in the United States courts to determine the question of ownership.

THE INDUSTRY DURING THE WAR.

As soon as the importation of cyanide was curtailed by reason of the European war your petitioner immediately made arrangements to enlarge its plant so as to be in a position to supply all of the industries using cyanide in the United States. These requirements were met and some cyanide was supplied to the mines in Mexico and Central America and other industries in various parts of the Western Hemisphere. So far as we know, every pound of cyanide used either directly or indirectly by the United States Government in its manifold war activities was made and supplied by us, regardless of the fact that the United States Government spent approximately \$3,000,000 in the construction of a plant for the manufacture of cyanide at Saltville, Va. Hundreds of men, who might have otherwise been employed if not inducted into the Army, were engaged in the erection of this plant, which was never commercially worked and which was sold after the armistice for \$225,000. During the last year of the war this company, in addition to supplying the requirements of the Western Hemisphere, filled a large order for the French Government.

DUTY ON CYANIDE A REVENUE PRODUCER.

During the fiscal year ending June 30, 1914, approximately 9,000,000 pounds of cyanide was imported and a slightly larger quantity manufactured in the United States. During the war our production was increased to approximately 17,000,000 pounds per annum. According to the most reliable statistics available the imports during the calendar year 1920 amounted to approximately 15,000,000 pounds of cyanide salts of the recognized standard strength. A duty of 7 cents per pound on this importation would have produced a revenue of over \$1,000,000. Admitting, for the sake of argument, that prewar conditions will again prevail and that approximately one half of the cyanide consumed in the United States will be imported, it is safe to assume that the annual duty collected thereon at the rate requested will be far in excess of half a million dollars. If cyanide salts are allowed to remain on the free list the Government will lose not only the revenue to be obtained from the import duty but will also lose the taxes which would be paid by the American manufacturer of cyanide salts and the American manufacturers of the raw materials used therein, as well as the tax on the incomes of the many employees of these industries.

INCONSISTENCIES IN PRESENT TARIFF BILL.

Common salt, the basis of all sodium compound, has been taken from the free list and under paragraph 73 is dutiable at 11 cents per 100 pounds in packages and 7 cents per 100 pounds in bulk, and the duty on caustic soda is increased from $\frac{1}{2}$ cents to $\frac{3}{4}$ cents per pound, while sodium cyanide, a manufactured product consisting of various independent elements, is left on the free list (par. 1654).

Under paragraph 75 practically every potash salt or compound containing potash known to chemistry is dutiable at a greater or less degree, with the exception of potassium cyanide, which is accorded a special paragraph (1636) on the free list.

The foregoing facts would indicate gross discrimination against the cyanide industry, which discrimination we respectfully request your committee to remove.

Your honorable chairman thoroughly understood the conditions confronting the cyanide industry when the Underwood tariff was under consideration in 1913, and as the industry is to-day confronted with similar but more serious conditions, we take the liberty of quoting from the speech delivered by Senator Penrose in the United States Senate, September 4, 1918:

"Mr. President, in the presence of those Members of the Senate who have done me the honor to have the appearance of listening, I was endeavoring to show a number of the inconsistencies in the chemical schedule. I am glad that the chairman of the Committee on Finance is now within the sound of my voice and also within the scope of my vision, because I come to an interesting paragraph concerning which he may enlighten us.

"The cyanide situation created by the bill reported by the Finance Committee of the Senate is similar to that existing in 1897 when the Dingley tariff was under discussion.

"At that time only cyanide of potassium was known, and the duty of 25 per cent was reduced by the Dingley tariff to 12½ per cent.

"The Hon. Nelson Dingley, jr., in his speech introducing the conference report, stated:

"The duty on cyanide of potassium, which was placed by the Senate at 12½ per cent, has been unwillingly left at that point by the House conferees. The House conferees believed that this article should have been left as it was in the House bill, with a duty which we regarded as protective; but the insistence of the Senate on this amendment has finally obliged the House conferees to surrender on that point and to accept simply the 12½ per cent provided by the Senate amendment.

"Mr. President, this incident, which might seem unimportant to the average person listening to my statement, is full of the deepest significance. I was in the Senate when the Dingley bill became a law, and I recall the reduction of that duty from 25 per cent, which was carried in the bill when it came over to the Senate in 1897, to 12½ per cent, given it by the Senate Finance Committee. The reduction was made at the urgent solicitation of the then Senator Jones of Nevada and other western Senators representing States having gold and silver mines. What was the result? In consequence of the reduction of the duty rate from 25 per cent to 12½ per cent the manufacture of cyanide of potassium was discontinued in this country. Under the protection of 25 per cent duty, however, the manufacture of cyanide of sodium, then not known commercially, was taken in this country and has flourished and developed to quite a large industry, over 10,000,000 pounds of cyanide of sodium being now manufactured in the United States yearly.

"If cyanide of sodium should be put on the free list, in all probability its manufacture would also be abandoned in this country, and the country be deprived of a large consumption of charcoal, caustic soda, and ammonia, these articles being the raw materials used in the manufacture of cyanide of sodium.

"The direct effect of the manufacture of cyanide of sodium in this country, and on the other side the abandonment of the manufacture of cyanide of potassium, is that to-day cyanide of potassium is sold at 1 cent higher than cyanide of sodium, although cyanide of potassium pays at present only 12½ per cent duty, while cyanide of sodium pays 25 per cent.

"The cyanide of potassium is all imported, and the cyanide of sodium is all manufactured here, the price of the former being 1 cent higher than the cyanide of sodium.

"Mr. President, this incident of cyanide of potassium has often been referred to by the historian of tariff debates to show how little the American consumer has benefited by the reduction of a duty which results in the destruction of an industry. The American industry of cyanide of potassium having been destroyed by the reduction made in the Dingley law, the American consumer, as I have said, had to import all of this article from Germany, with the consequent result that he was compelled to pay 1 cent higher for cyanide of potassium than he was for cyanide of sodium, all of which was made in the United States, and which was paying a duty of 25 per cent ad valorem. Had the duty been kept, as Mr. Dingley wanted it, upon cyanide of potassium, and had not the Senate committee been compelled to yield to the demands of a small group of western Senators, most of them at that time on the Republican side of this chamber, the American industry would doubtless be flourishing to-day and the American consumer would not be at the mercy of the German syndicate and the German trust.

"Now, I am going to close this very inadequate analysis of Schedule A by calling attention to the cyanide of potassium situation in the present Congress, because it offers an illustration of what has happened and what will happen. No better illustration is furnished than by the situation involved in the cyanide of potassium and the cyanide of sodium duties."

The fulfillment of the prophecy voiced by Senator Penrose was simply deferred by the intervention of the World War and is now being rapidly realized. Our raw material plant at St. Albans, W. Va., is closed, while our plant at Niagara Falls, N. Y., is running on part time. The finished product plant at Perth Amboy, N. J., suspended operation for several months, and after a brief period of operation is again shut down.

If cyanide is allowed to remain on the free list, it can not be manufactured in the United States in competition with the manufacturers of Europe, principally Germany and Czechoslovakia; therefore, the consumers of cyanide in the United States will be entirely dependent upon foreign producers. Should any unforeseen event occur which would prevent the importation of cyanide into the United States, these consumers would then be without any source of supply.

The cyanide industry in the United States was built up under the Payne-Aldrich Tariff Act, and when the present tariff act, under which cyanide was placed on the free list, went into effect, our company alone continued to manufacture cyanide in limited quantities until the outbreak of the World War. As our manufacturing plant was intact, we were in a position to increase our production of cyanide to meet the requirements, not only of the United States but of the whole Western Hemisphere, but had a longer period intervened between the passage of the tariff act of 1913 and the outbreak of the World War, our cyanide plant would have been converted to other uses or scrapped, and these same consumers, who are now objecting to a duty on cyanide, would, during the war, have been unable to obtain the necessary supply of this very essential chemical.

The development of the cyanide industry in the United States was brought about largely through our close cooperation with the consumers and our consistent endeavors to meet their requirements as to quality and price. We not only developed new uses for cyanide but assisted many others in perfecting their plans for the use of this chemical in their respective industries. Only as manufacturers, and not as importers, can we continue this cooperation and development.

During the World War all our energies were devoted to meeting the requirements of the consumers in this country, including those who formerly used the imported material as well as our own customers. No opportunity was afforded for improvements in the method of production which would tend to reduce cost; therefore, we feel that during this unsettled period of reorganization and reconstruction we should have sufficient protection to enable us to meet the present foreign competition and to further develop and perfect the industry to such a degree that it can successfully compete in all markets of the world.

STATEMENT OF HON. THOMAS STERLING, UNITED STATES SENATOR FROM SOUTH DAKOTA.

Senator STERLING. Mr. Chairman and gentlemen of the committee, I appear here rather as a substitute for a gentleman whom I expected would be here, Mr. Frank L. Peckham. Mr. Peckham was to represent the Homestake Mining Co., of South Dakota.

I shall be very brief. I simply want to call attention to the proposition before the Senate committee to put a duty on cyanides. The provisions of the bill affected are paragraph 1636, which just contains the two words "potassium cyanide," and paragraph 1654, which reads as follows:

Sodium: Cyanide, nitrate, sulphate, crude, or salt cake, and niter cake.

The House has these items upon the free list, but there is a proposition before you, I understand from the brief filed in support of that proposition, to impose a tariff of 33½ per cent, or about that, upon these articles.

Mr. Chairman, in behalf of a very important industry in my own State of South Dakota, which, of course, stands upon the same basis as that very important industry throughout the United States—the gold-mining industry—I appear to protest against the proposition to impose a tariff upon these items.

The situation in my own State is about this: We have in Lawrence County, S. Dak., what I have understood to be the greatest single gold producing mine in the world. Of course, we have our gold fields elsewhere that will produce more than \$7,436,000 of gold per annum, but I hardly think there is a single gold mine that will produce that amount, but yet that has been the amount, almost, produced by the Homestake Mine, on an average, for the six years between 1912 and 1917, inclusive.

If a duty is imposed on cyanide—either potassium or sodium cyanide it will greatly increase the cost of the production of gold, and I think we all realize what the tremendous cost has been and the effect of that cost upon production during the last six or seven years, or, perhaps, for a shorter time than that; at least, since we went into the war.

The production throughout the United States has fallen from about \$101,000,000, I think, in 1915 to about \$49,000,000 in 1920.

Senator SMOOR. Senator Sterling, do you know how much cyanide is used in the treatment of a ton of ore?

Senator STERLING. I can tell you from the brief here.

Senator SMOOR. Mr. Peckham shows it in his brief?

Senator STERLING. Yes; he does.

Senator SMOOR. It is two-tenths of a pound of cyanide per ton of ore.

Senator STERLING. Here is what he says:

Under normal conditions we mill and treat metallurgically with the aid of cyanide something over 4,000 tons of ore per day. Our consumption of cyanide is about 0.2 pound per ton of ore treated, or approximately 175 tons of sodium cyanide per annum.

Senator SMOOR. Yes; that is what he says. In other words, during the past eight years the price has never exceeded 25 cents a pound and, therefore, the cost of cyanide per ton of ore did not exceed 5 cents. It is not going to advance the cost of the production of gold very much if it costs 5 cents a ton for the treatment of a ton of ore.

Senator STERLING. The proposed duty adds about 1.6 cents per ton to our costs, or \$25,000 per year in round numbers. That, I think, is a considerable sum for one company to pay out each year. That added to the increased cost of labor has resulted in the reduced production of gold.

Senator SMOOR. Senator, his own statement shows how little it amounts to. I had a number of questions that I wanted to ask him. When you analyze his brief you will find there is nothing in it. The idea of objecting here to two-tenths of 25 cents in connection with the treatment of a ton of ore seems ridiculous to me. You will find, further, that in his brief he says that in 1914 they paid 14.5 cents per pound; in 1915, 16 cents per pound; while in 1916 the price jumped to 25 cents per pound. The fact is that in 1914 and 1915 the price was based upon 100 per cent of potassium cyanide, and he figured on a basis of 96 and 98 per cent. The price would have been about 37 cents for the treatment of a ton of ore.

Senator STERLING. Supposing it is only that amount, taking the statement of the Senator from Utah in regard to it.

Senator SMOOR. I am taking his statement.

Senator STERLING. Let it be comparatively insignificant so far as the added cost is concerned, are you going to propose a tariff of 33½ per cent?

Senator SMOOT. I did not say that.

Senator STERLING. Are you going to add it in order to satisfy a monopoly already existing, and the only concern that furnishes or will be able to furnish to the American consumer this cyanide?

Let me call your attention to another thing in the brief. This, of course, is not his own statement, but is a quotation from the report of the Alien Property Custodian in regard to the Roessler & Hasslacher Chemical Co. He quotes from that report as follows—

Senator McCUMBER. What is the name of that company?

Senator STERLING. Roessler & Hasslacher Co. It is a part of the great German concern known as the Scheide-Anstalt Co. I do not know just how to pronounce it. If anybody can do it better than I can I shall be glad to have them try it. He says:

This company had a capitalization of \$100,000, made fabulous profits, and for the five years before our entrance into the war averaged over 900 per cent in dividends annually. (See report of Alien Property Custodian A. Mitchell Palmer, made public Mar. 9, 1919.)

Now, reading further from the brief of Mr. Peckham, we find that he has this to say:

That the Homestake Mining Co. contributed generously to these enormous profits. We respectfully submit our own experience, which was as follows: Prior to the war and continuously since, up to about the end of 1920, we had purchased our cyanide supplies from Roessler & Hasslacher Chemical Co. From 1914 to 1920, both inclusive, we paid at the following rates:

During the year 1914 at the rate of 14.5 cents per pound.

During the year 1915 at the rate of 16 cents per pound.

During the year 1916 at the rate of 25 cents per pound.

During the year 1917 at the rate of 25 cents per pound.

During the year 1918 at the rate of 30 cents per pound for over 140,000 pounds, balance at the rate of 25 cents per pound.

During the year 1919 at the rate of 25.5 cents per pound.

During the year 1920 at the rate of 21.5 cents per pound.

These prices f. o. b. Perth Amboy.

Notwithstanding the fact that the Roessler & Hasslacher Chemical Co. furnished us cyanide during the year 1920 at the price of 21.5 cents per pound, and in the face of what is supposed to be lessened costs of both labor and material, they insisted upon a price of 24.5 cents per pound for the year 1921. We have contracted for our 1921 supply with the American Cyanamid Co. at a much less rate.

The American Cyanamid Co., of course, is located just across the line in Canada, but is made up of Americans, or is officered by American citizens.

Senator JONES. They have contracted for that Canadian cyanide?

Senator STERLING. They have contracted for the Canadian cyanide. It is contended that if a duty is imposed it will shut out the Canadian company, or the American company located on the Canadian side, and will give a monopoly, without any competition whatever, to the Roessler & Hasslacher Co. Those are the only ones who are proposing this duty.

Now, Mr. Chairman and gentlemen of the committee, there are other interests at stake than the gold-mining industry. It has been discovered that cyanide is of great use latterly—I think within the last few years—in the citrus-fruit industry. It is used for the purpose of fumigating the trees and destroys insect life that harms the

citrous fruit and greatly injures the citrous-fruit industry. Of course, we know the value of that industry to the people of the United States. We know its value to that great section on the western coast and to Florida. We know what that industry amounts to there. There are citrous-fruit growers numbering approximately 25,000, and their industry will be greatly injured if they are deprived of the use of this material.

Then there are other industries dependent more or less upon the use of cyanide. I think under the circumstances, especially since the House has left this product on the free list, the Senate should not, at the instance of this one great monopoly, impose a tariff duty and thus destroy all competition and leave that one institution in possession of the field.

Senator SMOOT. Don't you think that company itself could sell its product for much less than it has sold it when you take into consideration the annual statements which have been issued and from which I have copied the following?

Senator STERLING. What company, Senator?

Senator SMOOT. The American Cyanamid Co. This is what they show on their annual statement just issued.

Total sales to customers, \$6,194,688.15; total cost of said sales, \$3,548,283.98, leaving a gross profit of \$2,646,384.17. That, less \$301,148.24 for selling and general expenses, leaves a net profit on sales of \$2,345,235.93, or a profit of about 66½ per cent on their actual sales.

Senator JONES. What does the statement of the American Cyanamid Co. show?

Senator SMOOT. That is the statement of the American company on the Canadian side.

Senator STERLING. That is the American company located in Canada?

Senator SMOOT. Yes.

Senator JONES. What does the New Jersey company show?

Senator STERLING. I haven't that statement. I have a statement made by the Alien Property Custodian as to their tremendous profits.

Senator JONES. Is there any contention that the commodity can be produced in Canada cheaper than it can be in New Jersey?

Senator STERLING. I do not know as to that, but with the later process which the American Cyanamid Co. has adopted they may possibly produce it a little cheaper.

Senator JONES. We have had it said in regard to other commodities that the cost in Canada is practically the same as in the United States, and if that Canadian concern can make such profits it would be reasonable to suppose that this American monopoly would be making profits of reasonable magnitude and therefore would not require any tariff on the commodity.

Senator STERLING. We can be assured of this, that with the competition that will come by reason of having the cyanide on the free list, as between the American company located in Canada and the company located at Perth Amboy, N. J., the user of cyanide will get the product cheaper because of that competition.

Senator SMOOT. I think Mr. Peckham would have had a stronger case if he had taken that position instead of dwelling on the extra cost in connection with the treatment of gold.

Senator STERLING. I think it is necessary sometimes to protect a product or a home industry by putting some things on the free list, and that can be illustrated by this thing about which we are now talking.

Senator SMOOT. Is Mr. Peckham in the city, Senator?

Senator STERLING. No, sir. If he were here I would not be here.

Senator SMOOT. I have made an examination of their reports, not only as to the costs but as to the profits made by the producers in Canada, and I wanted to ask him some questions about statements made in his brief. That would probably lead to a better understanding as to just what he really means.

Senator JONES. I want to say, Senator Smoot, that your analysis and the brief ought to go into the record.

Senator STERLING. I have two copies of the brief, which I shall be glad to leave with the committee.

Senator JONES. I suggest that the brief and your analysis, Senator Smoot, should both go into the record.

Senator SMOOT. I have put mine in the form of questions.

Senator STERLING. If the committee will bear with me, I should like to read from a letter which I received this morning, showing the nature of this monopoly and what it does, how it controls things in regard to the production of cyanide. This is a letter from Mr. Arthur L. Halvorsen in regard to the proposed tariff duty on cyanide salts and compounds. It is dated December 27, 1921, and reads:

Having been advised that you will appear before the Senate Committee on Finance at a hearing on the above question, I am taking the liberty of sending you some facts that I believe you may consider of interest.

Senator McCUMBER. To whom is this letter addressed?

Senator STERLING. It is addressed to me.

Some time about the middle of last October when in Germany for the purpose among other things, of purchasing sodium peroxide, sodium cyanide, and related chemicals, I endeavored to make purchases from the Deutsche Gold & Silber Scheide-Anstalt. For this purpose I visited their offices at Frankfort-on-the-Main. I was there informed by officials of the company that they could not sell sodium cyanide or sodium peroxide for delivery in the United States of America or Mexico, and that since I required these chemicals for use in the United States of America they referred me to the Roessler & Hasslacher Chemical Co., from whom they said I must obtain my supplies.

The sodium peroxide which I endeavored to obtain in Germany is an important material in a chemical process in which I am interested, and I am greatly hampered by the inability to obtain it from any except a single source.

My particular interest in obtaining cyanide was at that time in behalf of others who desired to use it in the United States. My work brings me in close contact with the users of cyanide engaged in the recovery of precious metals by the cyanide process, and I hope that in behalf of these users you will give your best efforts to keeping this material on the free list in order that it may not be necessary to obtain supplies from a single company.

Two directors of the Roessler & Hasslacher Chemical Co. were for several weeks in Frankfort a little earlier than I came there. I have reason to believe there is an agreement between the Roessler & Hasslacher Chemical Co. and the German and the English manufacturers of sodium cyanide and sodium peroxide, dividing the world markets and making each party satisfied with comparatively larger profits on smaller quantities rather than to enter into price-cutting competition with each other.

Knowing the manufacturing conditions in Germany, my opinion is that a 33 per cent duty will not keep Germany out, while it will effectively prevent competition from independent outsiders who may be on more equal cost terms with the United States, and this is probably the game of the Roessler & Hasslacher Chemical Co., who would then by a combination of manufacturing here

and importing from the German mother company be in undisputed control of the market and the price.

In addition to that letter, I shall submit for the record, without reading it, a letter from Mr. Peckham. He wrote a letter to the chairman of this committee, Senator Penrose, and he sent me a copy of the letter written to the Senator. I ask that that be made a part of the record.

Whether the brief on behalf of the American Cyanamid Co. is printed or not I do not know.

Senator McCUMBER. If it is not already printed, it will be.

Senator STERLING. Very well.

Senator SMOOT. Do you know whether during and since the war this American Cyanamid Co. sold large quantities of aqua ammonia to the Roessler & Hasslacher Chemical Co.?

Senator STERLING. I have not heard.

(The letters from Mr. Peckham and Mr. Halvorsen are as follows:)

HON. BOIES PENROSE,

*Chairman Committee on Finance,
United States Senate, Washington, D. C.*

DEAR SIR: The Homestake Mining Co., of Lead, S. Dak., whom I represent, and practically all of the other gold-mining interests in the United States, as well as other industries, are vitally interested in the retention on the free list of the permanent tariff of potassium cyanide and sodium cyanide, covered in paragraphs 1636 and 1654, respectively, of the tariff bill as it came from the House.

Numbers of those interested have communicated with you and other Senators by mail and telegraph, but their communications will not, of course, be included in the printed record of the hearings. The Homestake Mining Co. will file its brief on the subject and will ask that it be printed in the record of the hearings. The statements contained in that brief state generally the position of the entire gold-mining industry of the country and can be considered representative of the attitude of that industry.

I believe that the American Cyanamid Co. is to be represented before your committee or will file a statement requesting the retention of cyanides on the free list.

Aside from the two mentioned above, those interested in the retention of cyanides on the free list are not seeking an opportunity to appear before the committee, being content to stand on the representations to be made by the Homestake Mining Co.

In the interest of fair play and in order that the committee may not be misled into believing there is a widespread demand for a protective tariff on cyanides by the number of witnesses who are to appear before the committee to ask for a duty on those commodities, I desire to invite your attention to the fact that the witnesses who are scheduled to appear in support of a request for a tariff on cyanides all seek protection for the business of one particular producer of cyanide, the Roessler & Hasslacher Chemical Co.

The committee's schedule of witnesses shows that the following gentlemen have requested a hearing as proponents of a tariff on cyanides:

Mr. John F. Bergen, representing the Chamber of Commerce of Perth Amboy, N. J., where is located the cyanide plant of the Roessler & Hasslacher Chemical Co.

Mr. Alfred W. Gray, representing the Niagara Electro-Chemical Co., at one time and probably now a subsidiary of, and which furnishes metallic sodium used in the manufacture of cyanide by the Roessler & Hasslacher Chemical Co.

Mr. P. S. Rigney, who on August 17, 1921, appeared before your committee asking a tariff on cyanides, and who is assistant treasurer of the Roessler & Hasslacher Chemical Co.

Hon. T. F. Appleby, Representative in Congress for the third district of New Jersey, wherein is situated the cyanide plant of the Roessler & Hasslacher Chemical Co.

So it would appear that all of the above-named witnesses are asking protection for the product of the Roessler & Hasslacher Chemical Co., which for many

years has been and is now the only manufacturer of cyanides in the United States, and which up until the entrance into the field of the American Cyanamid Co. had enjoyed to the utmost a monopoly of the American market.

It has been claimed by the Roessler & Hasslacher Chemical Co. that in 1919 the number of men engaged in producing cyanide in this country had reached approximately 250. That is believed to be a very liberal estimate, as that number of men, or less, could supply all the human labor requisite to produce all the cyanide consumed in the United States and adjacent countries.

It is respectfully requested that in considering this matter the committee will give due weight to the interests of the large number of operators, investors, and approximately 20,000 laborers involved in the gold and silver mining industries, whose precarious condition is already well known to the members of the committee and in whose operations the cyanide process is absolutely essential, as against the one manufacturer and the 250 laborers for whose protection a tariff on cyanides is asked.

I desire further to call the attention of members of the committee to the protests against placing any duty on cyanides which have been sent to the committee and are in the files.

In order that this subject may be fairly presented in the printed record of the committee's hearings, I have to request that this letter be included in that record.

Respectfully submitted.

FRANK L. PECKHAM.

PERTH AMBOY, N. J., December 27, 1921.

HON. THOMAS STERLING,
Senate Office Building, Washington, D. C.

DEAR SIR: Having been advised that you will appear before the Senate Committee on Finance at a hearing on the above question, I am taking the liberty of sending you some facts that I believe you may consider of interest.

Some time about the middle of last October, when in Germany for the purpose, among other things, of purchasing sodium peroxide, sodium cyanide, and related chemicals, I endeavored to make purchases from the Deutsche Gold & Silber Scheide-Anstalt. For this purpose I visited their offices at Frankfurt a. M. I was there informed by officials of the company that they could not sell sodium cyanide or sodium peroxide for delivery in the United States of America or Mexico, and that, since I required these chemicals for use in the United States of America they referred me to the Roessler & Hasslacher Chemical Co., from whom they said I must obtain my supplies.

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Very respectfully, yours,

A. L. HALVORSEN.

BRIEF OF THE HOMESTAKE MINING CO., LEAD, S. DAK.

The Homestake Mining Co. earnestly protests against any duty upon commercial cyanide salts, mixtures, and compounds. This company takes exception to the correctness of a number of statements made before your committee by Mr. P. Samuel Rigney, of the Roessler & Hasslacher Chemical Co. We respectfully call the attention of your committee to the following facts regarding the use of cyanide compounds in the metallurgical operations of gold-mine operators:

1. The Homestake Mining Co. is a California corporation engaged in the mining of gold. All of its properties are located in Lawrence County, S. Dak., in what is known as the Black Hills. Under normal conditions we mill and treat metallurgically with the aid of cyanide something over 4,000 tons of ore per day. Our consumption of cyanide is about 0.2 pound per ton of ore treated, or approximately 175 tons of sodium cyanide per annum. The proposed duty adds about 1.6 cents per ton to our costs, or \$25,000 per year in round numbers. As hereinafter shown, the Roessler & Hasslacher Chemical Co. has been making 900 per cent profits per annum. The gold-mining industry on the contrary is in a condition of tragic collapse. Roughly speaking, 40 per cent of the gold-mine operators in the United States have suspended operations during the last few years. The decrease in production and value of gold covering the period from 1907 to 1920 is shown on the chart prepared from the official figures of the Director of the Mint, printed herewith in the appendix as Exhibit "A." This discloses a decline from \$101,000,000 in 1916 to \$49,000,000 in 1920. As to the gold-mining industry in the Black Hills, in South Dakota, briefly stated it is in a state of disintegration; not because the mines are becoming exhausted but because the gold taken from the mines does not have sufficient value to pay the cost of production. This increased cost of production is due largely to the cost of materials entering into such production. Chief among such materials are the various cyanide compounds under consideration. In this connection it is interesting to note that for years sodium cyanide was used principally for the extraction of precious metals from ores, but that recently a greater amount is used in other industries, in 1910 approximately 2,000 tons of sodium cyanide being used in mining and 2,500 tons in other industries, while in 1919 only 1,200 tons were used in mining and 4,000 tons in other industries. This decrease in the use of cyanide in mining is not due to the discovery of any substitute therefor, but solely to the destruction of the mining industry; approximately 40 per cent of the gold-mining producers having been forced to suspend operations owing to the prohibitive cost of labor and materials used therein.

2. Before directing your attention to the specific instances in which we think the statements of Mr. Rigney are incorrect and misleading, permit us briefly to review the condition of the gold-mining industry in the Black Hills, which is typical. In this section four years ago there were 10 or 12 regular gold producers, and other mines were being developed. Only two, the Trojan and Homestake, have survived the war period. These properties have been operated during this period to keep their mines and treatment plants in working condition and their organization intact, with the hope that in the near future conditions will become normal. The population of the two largest mining towns in the Hills, Lead and Deadwood, has decreased from 12,045 in 1910 to 7,416 in 1920, and the population of Lawrence County, which is the principal mining section of the Hills, has decreased 6,665. Practically all this decrease has occurred during the past three years.

The joint reports of the United States Geological Survey and Bureau of the Mint give the average yearly production of gold in the Black Hills from 1912 to 1917, inclusive, as being of a value of \$7,436,000; in 1918, \$6,699,400; in 1919, \$5,289,700; and from the report of the State mine inspector for the first six months of 1920 it is estimated that the total value for 1920 will be less than \$5,000,000. The annual reports of the State mine inspector give the average number of men employed in gold mines of the district from 1912 to 1917, inclusive, as 3,068, for 1918 and 1919 as 1,983, and for the first six months of 1920 as 1,681. The producing mines of the hills are fortunate enough to have a large amount of ore broken down and remaining in the mine, as well as ore which can be mined at low cost, which thus far has tided them over the high-priced period. It is needless to say that these favorable conditions will not continue. The gold-mining industry generally is face to face with a grave crisis—a crisis brought about by a world war and a policy of bleeding without feeding the one industry absolutely essential to the life of any civilized nation

at all times. We submit that the bleeding should now end, even though the feeding do not begin.

Upon our entrance into the war, gold producers were urged to speed up production. They found themselves confronted with the loss of labor, high prices of supplies, an ever-increasing difficulty in getting supplies at any price, coupled with a fixed price for their product based on prewar conditions, a condition which confronted no other business or industry in the country. For gold mines to keep up production during the period of rising cost it was necessary to reduce expenses, and this could be done only by cutting off development, prospecting, and plant repair. Increased cost for the future is only a natural consequence. As a concrete example, the Homestake Mining Co. under normal conditions excavates yearly 17,000 feet of tunnel for the purpose of developing known ore bodies and prospecting virgin ground. During 1918 and 1919 this was reduced to 8,000 feet. From this it may be readily seen that we shall have to expend thousands of dollars in the near future to bring the mine to its normal working condition. What is true at the Homestake is undoubtedly true at other producing gold mines, and the situation is far worse in those mines that were forced to close down.

3. Cyanides are chemical combinations of various elements with the organic radical cyanogen—a compound of carbon and nitrogen. Thus potassium cyanide, sodium cyanide, etc., are combinations, respectively, of potassium, sodium, etc., with cyanogen.

4. The cyanide process is an indispensable part of the art of recovering gold from its ores. There is no substitute for it. To it is due the increased gold production of the period 1890-1915. Since 1915 it is all that has saved the industry from extinction. Before the use of this process the Homestake Mining Co. recovered but 70 per cent of the gold in its ores (and this was a free milling ore); now its recovery is over 98 per cent.

5. Cyanide dissolves gold. The gold after being dissolved and withdrawn from the ore is recovered from the cyanide salts by suitable means (usually by bringing the solution in contact with zinc, which precipitates the gold from its solution).

6. The dissolving of gold is done by the cyanogen of the cyanide compound used. Economic reasons alone determine whether or not potassium cyanide, sodium cyanide, or calcium cyanide is to be preferred. These elements are, as Mr. Rigney states, merely carriers. (Mr. Rigney's statement, printed report Aug. 17, 1921.)

7. Attention is respectfully called to the following statements in Mr. Rigney's brief filed with the committee:

"A corporation * * * conducts a plant at Niagara Falls, Ontario, Canada, where a low grade of cyanide (about 24 per cent cyanogen) is manufactured." * * *

We respectfully submit this statement is misleading. The customers for cyanide salts and compounds, unlike those for wildcat stocks and lightning rods, are not the public generally. These preparations, on the contrary, are sold to and used by organizations which are compelled for their own protection and success to maintain metallurgical and chemical departments thoroughly qualified to test scientifically the economic value of such cyanogen salts and compounds. The Homestake Mining Co. prior to purchasing such compounds from the Canadian manufacturers conducted extensive experiments for the purpose of demonstrating the scientific and economic value of the Canadian product. We were compelled to seek other markets than the Roessler & Hasslacher Chemical Co. because of the increased prices and exorbitant charges sought to be exacted by that company, notwithstanding Mr. Rigney's statement to the House Committee on Ways and Means to the effect that they did not materially increase the cost of their product to domestic users.

8. The vital question of cost is the cost of the unit of cyanogen. If, then, the material is sold by the contained cyanogen rather than by the total weight (and it is so sold), then there is no misrepresentation as to the grade. But the Roessler & Hasslacher Chemical Co. is asking for a specific duty of 6 cents a pound on "cyanide salts."

This would mean 11.8 cents per pound of cyanogen contained in 96-98 per cent sodium cyanide, or 24.5 cents per pound of cyanogen contained in 46 per cent American Cyanamid Co. "Aero" brand cyanide. This discriminates against the Canadian product to a much greater degree than against the German

and Czechoslovakian products. In this connection we have heard it stated that at least a part of the latter, which the Roessler & Hasslacher Chemical Co. states is flooding our markets, has been imported into this country by that concern itself. If this be true, it is a somewhat unusual condition wherein the same concern seeks protection both as a manufacturer and as an importer.

9. The Canadian product is the cheapest per unit of cyanogen. Its impurities are not detrimental. The tests and experiments conducted by the Homestake Mining Co. demonstrated this to our satisfaction. Our actual experience in the use of the Canadian product has thoroughly confirmed the result of our tests and experiments. This seems to have been the experience also of the Tonopah Extension Mining Co. (see article by John J. Kirchen, general manager of that company, on Comparison of High and Low Grade Cyanide, copied from page 614 of the Engineering Mining Journal of date Sept. 25, 1920, printed herewith in appendix as Exhibit B).

10. The brief of the Roessler & Hasslacher Chemical Co. quotes at length from a speech delivered on the floor of the Senate in September, 1918, by the chairman of your committee.

We call attention to the fact:

(1) At that time gold mining was on a more stable basis than it is to-day; the cost of cyanide and other commodities was lower, a margin of profit existed in the gold mining industry which has since been entirely wiped out. The industry then could support the burden. It is to-day in the most distressing condition of its existence.

(2) It is respectfully submitted that although the figures presented in that speech were correct, they do not fully explain nor by any means account for the result attributed to the tariff then under consideration and criticism. To fully appreciate the operation of that tariff it is necessary to understand what possibly may be termed "trade secrets," or more correctly trade nomenclature as applied to cyanide salts. Such trade terms as so applied were by no means logical and were to some extent confusing. It is necessary to bear in mind the following facts: Potassium cyanide contains practically 40 per cent of cyanogen (which as hereinbefore noted is the important constituent) and has always been taken and used as a basis or standard of comparison and reference. Thus a lot of cyanide salts, regardless of whether it might be potassium salts, or sodium salts, if containing 40 per cent of cyanogen, would be called 100 per cent potassium cyanide, or sometimes, more precisely, "100 per cent potassium cyanide equivalent," simply because such lot of salts would contain the equivalent of cyanogen contained in potassium cyanide. To illustrate further, sodium cyanide as a matter of fact contains about 58 per cent of cyanogen and under trade nomenclature would be designated as 182 per cent potassium cyanide. As recently as 1915 the Roessler & Hasslacher Chemical Co. quoted "sodium cyanide 128 per cent." Seventy-six pounds of such a sodium cyanide could have been mixed with 24 pounds of adulterant containing no cyanide whatever and the mixture would have been called 100 per cent potassium cyanide and accepted by the unsophisticated user as a high quality product.

Usually both potassium cyanide and sodium cyanide were present, a lot reported in 1902 (Engineering and Mining Journal, vol. 75, p. 333) analysing about 10 per cent potassium cyanide, 80 per cent sodium cyanide, and 10 per cent impurities. This mixture classed as about "96 per cent."

Shortly after the passing of the Dingley Act it was sought to tax such mixtures as chemical salts, which were assessed at 25 per cent, instead of as potassium cyanide assessed at 12½ per cent. The board of general appraisers (Treasury Decision No. 22521, General Appraisers 4778, Oct. 1, 1900) ruled in favor of the lower rate of duty on the ground that commercial potassium cyanide often contained mixtures of sodium compounds, and on the further legal ground that the commercial designation and denomination of an article in the markets of a country where the law was passed will control its tariff classification without regard to its scientific designation or the material of which it is made or the use to which it is put.

Under such ruling advantage was taken of the lower tariff. It is respectfully submitted that the effect attributed by your chairman in his speech referred to, to the then existing tariff, was not borne out in the commercial transactions actually conducted under such tariff. In other words, the manufacture of cyanide of potassium was not discontinued because of the effect of the tariff. The truth is the discontinuance of such manufacture was due to other causes,

chiefly to the fact that we had no supply of potash of which Germany had a world monopoly and of which monopoly she took advantage.

As additional proof of the foregoing statement attention is called to the fact that in South Africa during the same period of time, a similar condition developed under which there was a transition from the use of potassium cyanide of high potassium content to the use of a mixture of potassium cyanide and sodium cyanide, and finally to the use of sodium cyanide.

11. The Roesler & Hasslacher Chemical Co. had and still has a monopoly on the manufacture of cyanide in this country, and while it is true that they increased their production to meet the requirements during the war, the conduct of this company and its subsidiaries was such both as to the enormous profits made and as to its German affiliations that it was investigated by the Allen Property Custodian whose report covers somewhat in detail the operations of this concern and as a result of which investigation the capital stock was taken over by the Allen Property Custodian, notwithstanding the efforts of the company to disguise its true ownership.

From this report we quote:

"This company had a capitalization of \$100,000, made fabulous profits and for the five years before our entrance into the war averaged over 900 per cent in dividends annually." (See report of Allen Property Custodian, A. Mitchell Palmer, made public Mar. 9, 1919, as same is printed on pages 363 and 364 of the Journal of Industrial and Engineering Chemistry, published monthly by the American Chemical Society, vol. 11, No. 4 of Apr. 1, 1919, issue, offices No. 35 East Forty-first Street, New York, printed herewith in appendix as Exhibit C.)

12. That the Homestake Mining Co. contributed generously to these enormous profits we respectfully submit our own experience which was as follows: Prior to the war and continuously since up to about the end of 1920, we have purchased our cyanide supplies from Roesler & Hasslacher Chemical Co. From 1914 to 1920, both inclusive, we paid them at the following rates: During the year 1914 at the rate of 14½ cents per pound; 1915, 16 cents; 1916, 25 cents; 1917, 25 cents; 1918, 30 cents per pound for over 140,000 pounds, balance at the rate of 25 cents per pound. During the year 1919 at the rate of 25½ cents per pound; 1920, 21½ cents per pound. These prices f. o. b. Perth Amboy, N. J.

13. Notwithstanding the fact that the Roesler & Hasslacher Chemical Co. furnished us cyanide during the year 1920 at the price of 21½ cents per pound, and in the face of what is supposed to be lessened cost of both labor and material they insisted upon a price of 24½ cents per pound for the year 1921. We have contracted for our 1921 supply with the American Cyanamid Co. at a much less rate.

14. We consume in round numbers 175 tons, or 350,000 pounds, of sodium cyanide annually. The proposed duty will add to our annual expenses about \$25,000 per annum. In this connection, it is interesting to note that in at least some of our contracts with Roesler & Hasslacher Chemical Co. a clause is incorporated to the effect that in case of the imposition of internal-revenue tax or any other action of the Government, affecting the cost upon which the contract price is based, we are required to pay any increase brought about by such tax or action.

15. The price of gold is fixed. It is therefore impossible to pass on to the consumer any increased cost in its production. In this respect it differs radically not only from the case of all manufacturers but in the same respect and in the same degree from the case of the producers of all other minerals. At this very time earnest effort is being made in Congress through the instrumentality of the McFadden bill, to save from destruction the gold-mining industry. We believe this bill has the support of a great deal of the ablest and most conservative thought of the Nation. The wisdom of the imposition of any portion of the proposed tariff at this time from the broad standpoint of national welfare as well as from the standpoint of the gold producers, as to whom it is obviously unjust, we respectfully submit may be seriously questioned.

16. A request was made to the Committee on Ways and Means of the House of Representatives by the Roesler & Hasslacher Chemical Co. to place a duty of 33½ per cent on all cyanide salts, mixtures, and compounds. Briefs opposing any duty on cyanide were filed with the Committee on Ways and Means and representatives of this company and others were accorded a hearing by the committee in charge of the drafting of Schedule 1—Chemicals, oils, and paints. After giving the matter careful consideration the subcommittee recommended leaving sodium cyanide and potassium cyanide on the free list, the Ways and

Means Committee adopted that recommendation in the draft of the bill as reported to the House, and the House passed the bill containing the provisions in paragraphs 1636 and 1654, continuing potassium cyanide and sodium cyanide, respectively, on the free list.

B. C. YATES,
Superintendent.

A. J. CLARK,
Head of the Metallurgical Department.

EXHIBIT A.

Annual production of gold in the United States, 1906 to 1920, inclusive.

Year.	Fine ounces.	Value.	Year.	Fine ounces.	Value.
1906.....	4,365,333	304,373,800	1914.....	4,572,976	304,531,800
1907.....	4,374,827	30,435,700	1915.....	4,887,804	101,035,700
1908.....	4,374,340	34,330,000	1916.....	4,479,057	92,590,300
1909.....	4,321,701	30,673,400	1917.....	4,051,440	83,760,700
1910.....	4,657,017	38,268,100	1918.....	3,328,784	68,644,700
1911.....	4,637,053	38,890,000	1919.....	2,918,628	60,333,400
1912.....	4,520,719	33,451,800	1920.....	2,395,017	45,508,400
1913.....	4,260,784	38,884,400			

EXHIBIT B.

[Article by John J. Kirchen in Engineering and Mining Journal, volume 110, No. 13, p. 614, Sept. 25, 1920.]

COMPARISON OF HIGH AND LOW GRADE CYANIDE—EQUALLY GOOD METALLURGICAL RESULTS FOLLOW USE OF PRODUCT CONTAINING 87 PER CENT NaCN BY TONOPAH EXTENSION.

Until recently the Tonopah Extension Mining Co. has used the ordinary cyanide, containing 97 per cent NaCN, in its mill at Tonopah, Nev. Calculation showed, however, that the low-grade cyanide now on the market could be delivered at less cost per unit of NaCN, so it was decided to make some experiments to determine the relative efficiency of the two products.

In preliminary laboratory tests, equal quantities of the same grade of silver-gold sulphide ore were agitated under parallel conditions with solutions of the same cyanide content, one using "Aero Brand" cyanide, containing 87 per cent NaCN and the other solution using the 97 per cent NaCN product. One half pound of lead oxide per ton of ore was added in each test to precipitate the sulphide ion liberated in the solution by the dissolving of the silver with NaCN. The gold and silver extractions after 60 hours of agitation were the same—93 per cent—and the consumption of NaCN and CaO was the same in both tests.

In a following test, the lead oxide was not added. Again, the extractions in both tests were the same, although 1 per cent lower than when the lead oxide was added; the NaCN consumption, was higher the NaCN consumption was highest, but practically the same work in both tests. After some additional work, which confirmed these results, it was decided to use the low-grade cyanide, in the mill.

For the last seven months "Aero Brand" cyanide has been used exclusively. It has proved satisfactory as a dissolving agent for silver and gold contained in the company's sulphide ore and "reducing" matter has apparently not accumulated in the solution.

An analysis of this product, as furnished by the manufacturers, shows: CN, 19.10 per cent; Cl, 25.13 per cent; Ca, 28.18 per cent; Na, 16.40 per cent; SiO₂, 0.80 per cent; R₂O₃, 0.91 per cent; Graphitic C, 3.94 per cent; Carbide C, 0.36 per cent; S, 0.55 per cent; N (?), 1.14 per cent; Mg, 0.15 per cent; O and undetermined, 2.80 per cent.

This cyanide is shipped in cylindrical steel drums weighing 360 pounds gross and containing about 360 pounds of cyanide product, which contains about

37 per cent NaCN. The material is in the form of small, brittle flakes of dark-gray color, about one thirty-second of an inch thick and from one-fourth to one-half inch in diameter. The soluble portion dissolves readily, leaving a light, flocculent, black residue.

In mill practice solution is effected in a tank in which a mechanical agitator is installed. Agitation promotes the more rapid dissolving of the soluble constituents. On account of the CaC₂ present, acetylene gas is immediately generated, so it is advisable that good ventilation be maintained over the dissolving tank. Ammonia is also frequently liberated from the solution. The small amount of soluble sulphide present apparently oxidizes rapidly. The alkalinity (not including that of the NaCN) is about 12 per cent, in terms of NaOH, so it is of service in neutralising acidity and consequently saves lime, where lime is used to promote alkalinity of the solution.

The following table gives a comparison of results covering one month's operation at the mill of the Tonopah Extension Mining Co., using 97 per cent NaCN exclusively; also one month's run at the mill, using the 37 per cent NaCN "Aero Brand" cyanide. The two months selected were July, 1919, and March, 1920, and were taken for comparison because the average silver content of the ore treated during each of these months was about the same. The solutions used were also of the same NaCN content.

Comparison of results with high and low grade cyanide.

Cyanide content of product.	Feed assay.	Tailing assay.	Per cent extraction.	Consumption NaCN per ton.	Consumption NaCN per ounce of bullion.
Per cent.	Ounces.	Ounces.		Pounds.	Pound.
97	11.63	0.80	92.26	1.64	0.142
37	11.34	.82	92.77	1.71	.100

The "reducer" in solution, in terms of N/10 KMnO (Clennel test), was 4.2 cc. and 4.0 cc., respectively.

EXHIBIT C.

[From report of A. Mitchell Palmer, Alien Property Custodian, made public Mar. 9, 1919, pp. 303, 304, *Journal of Industrial and Engineering Chemistry*, published monthly by the American Chemical Society, vol. 11, No. 4, Apr. 1, 1919, issue, New York.]

Among the chemical companies in which German interests existed outside of the dyestuff business by far the most important was the Roesler & Hasselacher Chemical Co. This was a branch of the great Frankfort gold and silver refining company known as the Deutsche Gold and Silver Scheide-Anstalt vormals Roesler, and was organized by Messrs. Roesler and Hasselacher, two old Scheide-Anstalt employees, who came to this country to introduce the goods of the parent house. From the first, the German concern and its officers and employees owned about three-fourths of the stock of the American house. The latter prospered enormously and built up a very large business. Besides selling the products of the Scheide-Anstalt consisting chiefly of cyanide of sodium and cyanide of potassium, it built up a very large jobbing business. In 1895 the Niagara Electrochemical Co. was founded to manufacture metallic sodium by means of the electric power available in Niagara Falls. The sodium thus produced was used for the manufacture of cyanide of sodium in this country, a business which immediately became exceedingly profitable. The stock of this company was divided so that one-third of it went to the Scheide-Anstalt, one-third to Roesler & Hasselacher, and one-third to English interests. This company had a capitalization of \$100,000, made fabulous profits, and for the five years before our entrance into the war averaged over 900 per cent in dividends annually.

Meanwhile the Perth Amboy Chemical Works had been established with a capital of \$400,000 to manufacture formaldehyde and wood distillation products: 1,900 of the 4,000 shares of this company were held by the Roesler &

Hasslacher Co., a similar amount by another outside German corporation, the Holzverköhlungs Industrie, A. G., and a casting vote was left in the remaining 80 shares with Roessler & Hasslacher. In the summer of 1916 the officers of the Roessler & Hasslacher Chemical Co. began to ask the authorities of their parent house to transfer to them more of the stock. The first request was made in a letter which contained a distinct intimation that this change in holdings need not be permanent. In subsequent letters they insisted, as reasons for the proposed sale, that the political situation was very acute; that German-owned property in this country might be sequestered, and that if any of their goods were to be imported and were to get by the British they would have to be able to say that the company which did the importing was not German owned. This proposition met no response. On the contrary, the Scheide-Anstalt officers replied that they did not understand what Messrs. Roessler & Hasslacher wanted; that what they proposed must either be a real or a pretended sale; that if a pretended sale was what was suggested the idea was dangerous; and that if a real sale was meant a price would have to be charged which Messrs. Roessler & Hasslacher would, under no circumstances, be willing to pay. They then suggested that a confidential man should be sent over to explain just what was wanted. The letters of Mr. Hasslacher had, however, left no doubt on this score, as they had asked in the simplest possible language for a sale of the stock and had requested the Scheide-Anstalt to name their price.

In general the letters outlined the proposition as clearly as it could be stated, and the Scheide-Anstalt people can not have avoided fully understanding just what was wanted, except on the supposition that the letters didn't mean what they said and that the real proposition was one which it was dangerous to put on paper. Their refusal, at all events, even to name a price, was unequivocal. They said in substance, "Rather than part with 'the best cow in the barn,' we ought to take every risk of the political situation and trust to fighting our rights in free America." Notwithstanding this discouraging statement, Messrs. Roessler & Hasslacher did send over a confidential man, as was suggested. This emissary, Mr. Oscar R. Seitz, a New York lawyer of Swiss descent, with some German connections, reached Frankfort on February 1. He brought no letters of introduction, power of attorney, or means of identification. The Scheide-Anstalt people did not know for certain that a confidential man was coming, or that if so it was to be Mr. Seitz. Yet he says that after a few brief interviews, in which he offered no argument other than those which had already been stated in the letters from Mr. Hasslacher to his German intimates, the Scheide-Anstalt people agreed to sell to the American representative the following stock: Three thousand eight hundred shares of Roessler & Hasslacher, at 200; 140 shares Niagara Electrochemical Co., at 400; 80 shares Perth Amboy Chemical Works, at 200. No counter offer was apparently made, and there seems to be no hesitation about the price, nor was there any suggestion of the purchase of the balance of the German holdings. A wireless was then, on February 6, 1917, sent to the New York office, and upon this wireless the stocks were transferred on the books of the companies and the necessary \$860,000 was remitted to the German house. The stocks thus sold carried with them control of all three companies. The price paid represented a book value approximately twice as great, and the average annual dividends for the preceding five years on the three blocks of stock combined figured out at over 89 per cent on the purchase price. As regards the Niagara stock, the book value was nearly four times the purchase price, while the average dividends for five years figure out an annual return of 225 per cent on the purchase price.

These facts, and a host of additional circumstances likewise pointing inevitably to the conclusion that this sale was not genuine, were brought out in a prolonged proceeding conducted by my representative before the attorney general of the State of New York, who had the power to subpoena witnesses. In the meantime the 47 per cent of the stock of the Roessler & Hasslacher Chemical Co., which was admittedly still German owned, had already been taken over. I thereupon determined, by virtue of the authority conferred upon me by the trading with the enemy act and by the presidential proclamations thereunder, that the stock ostensibly transferred in February, 1917, was in fact still German owned, and accordingly I thereupon issued demand for it. This proceeding will result in the Americanization of the most important German-owned chemical companies outside of the dye industry.

STATEMENT OF J. O. HAMMITT, REPRESENTING THE AMERICAN CYANAMID CO.

Mr. HAMMITT. Mr. Chairman and gentlemen of the committee, I represent the American Cyanamid Co. I think, perhaps, some of the questions which the Senator from Utah asked Senator Sterling he may desire to ask me, because I can, of course, answer them more completely.

Senator SMOOT. What is your name?

Mr. HAMMITT. J. O. Hammitt.

Senator WATSON. For whom do you appear?

Mr. HAMMITT. For the American Cyanamid Co.

Senator WATSON. Do you take the place of some other gentleman whose name appears on this list?

Mr. HAMMITT. I take the place of Mr. Cooper, who was on the list as printed yesterday.

It had been my intention, since I realized the situation which confronts this committee and the congestion of its calendar, to simply submit and file a brief and withdraw. However, a number of questions have arisen which, it seems to me, justify my taking a few minutes of your time to clear the atmosphere regarding the actual production situation in relation to cyanide. I want to do that because the committee has accorded to an officer of the Roessler & Hasslacher Co., who appeared before the committee when the matter was under discussion under the chemical schedule, the privilege of closing this discussion after I have withdrawn.

It is an unfortunate circumstance that some of his earlier statements are not borne out by the facts relating to the American Cyanamid Co. and its products, and inasmuch as I shall not have the opportunity to answer arguments after they are made, if they are made this afternoon, I should like to state generally the situation as clearly as I can to the committee beforehand.

Now, there are exactly four important manufacturers of cyanide in the world.

One is the English company—Cassel & Co.—with factories in England and Scotland.

The second is the Deutsche Gold and Silber Scheide-Anstalt, which is located at Frankfort a M., and has factories in Germany.

The third is the Roessler & Hasslacher Chemical Co., which has a metallic sodium plant at Niagara Falls operated by its subsidiary, the Niagara Electro Chemical Co., whose attorney will appear before you to-day, and a plant for the manufacture of the finished cyanide product at Perth Amboy, N. J.

The other manufacturer of cyanide is my own company, whose main offices are in New York City and whose plants are located, respectively, in Florida, New Jersey, California, and Niagara Falls, Ontario, and whose cyanide is made at Niagara Falls, Ontario.

Senator SMOOT. What company is that?

Mr. HAMMITT. The American Cyanamid Co.

The Roessler & Hasslacher Chemical Co. was formed by Messrs. Roessler and Hasslacher, who came to the United States as the representatives of the German Scheide-Anstalt. They subsequently formed the Niagara Electro Chemical Co., the subsidiary, which will appear before you to-day.

When that company was formed it was owned approximately in thirds, or exactly in thirds, by three different interests. One was the German Scheide-Anstalt; one was the Roessler & Hasslacher Chemical Co., which, at that time and up to the war, according to the report of the Alien Property Custodian, was controlled by the Scheide-Anstalt Co. by stock ownership; and the third was the English interest interested in the patents upon which this present cyanide process, operated by Roessler & Hasslacher Chemical Co., is based.

There you have the most excellent possible arrangement for the division of the world's markets between the English interests and the German interests and the American child of the German company.

I hope that I am not conveying the impression that there is anything invidious about this. I just desire to make clear to the committee in what kind of a market it is necessary for the American to purchase cyanide for American consumption. What I say is said without any criticism whatever of any trade arrangements that have been made between our competitors. But it is a fact that when we offer cyanide in Canada we meet in competition the English company and never meet in competition the Roessler & Hasslacher Chemical Co.; and it is also true that when we offer cyanide in the United States we meet in competition the Roessler & Hasslacher Chemical Co. and not the English company; and there is not a single gold or silver mine in the United States that is obtaining its supplies of cyanide from any except two sources—Roessler & Hasslacher and American Cyanamid Co. That sort of contact which we have with the trade leads us to credit the reports that are made that there is a division of the world's markets, because we meet, not all our competitors, but one of our competitors wherever we go.

Until the American Cyanamid Co. developed and began delivering cyanide produced in 1917 by a new process, using different raw materials, the American purchasers of cyanide were compelled to go to one single source for cyanide, and they were compelled, by reason of that fact, to write contracts under harsh terms.

Senator JONES. Is the German process patented in this country as such?

Mr. HAMMITT. The basic patents on that process, as on ours, have expired, but there are a number of secondary and subsidiary patents, which, in our case, furnish us with what we consider adequate protection, and which, I presume, in the case of Roessler & Hasslacher, they would consider adequate protection. I have a list of these secondary and subsidiary patents in my brief.

There has been a statement made at a previous hearing on this subject that there was no American monopoly. There is an American monopoly so far as the purchaser is concerned when there is only one American producer, and I have a personal conviction that the reason there is only one American producer is that Roessler & Hasslacher have been recognized by chemical manufacturing companies as having definite control of that field.

Now, I shall leave out the question of the prices charged and refer to the other terms of the contracts which our own customers have told me were handed to them as the only basis on which they could obtain cyanide. They are unreasonable contracts, and contracts that could not be written except in a case where the seller had an absolute monopoly of the market.

Senator Smoor. Why did you go to Canada instead of remaining in the United States?

Mr. HAMMITT. The plant was originally established for the purpose of making cyanamid, which depends upon very cheap water power. We were unable at the time we wrote our water-power contract, about 1907, to run for a period of 25 years, to obtain water power cheap enough in the United States to justify the establishment of that plant. That crude cyanamid is one of the most important raw materials in the manufacture of cyanide, and our cyanide plant is there because our cyanamid plant was located there.

Senator Smoor. What per cent of the production is cyanide?

Mr. HAMMITT. I should say that under normal conditions—the plant at the present time is very largely shut down—there would be perhaps from 10 to 12 per cent of the crude cyanamid used in the manufacture of cyanide.

Senator Smoor. I suppose you did not understand my question. I meant what products do you manufacture other than cyanide?

Mr. HAMMITT. We make cyanamid, we make ammonium phosphate, we produce phosphate rock, we make hydrocyanic acid gas, and we make many nitrogenous products, such as aqua ammonia, urea, and a number of others.

Senator Smoor. What percentage of your production is aqua ammonia?

Mr. HAMMITT. We are not making any aqua ammonia now. We have made it only intermittently. If you speak in value, it would be perhaps but a fraction of 1 per cent. It is an exceedingly small operation.

Senator Smoor. It was not that way during the war, was it?

Mr. HAMMITT. No, sir; during the war all of our plants were operated for just what the Government told us to make. We were fitted into the manufacturing program. We were told what to make, where to deliver it, and what to charge for it.

Senator Smoor. You were compelled to sell to Roessler & Hasslacher aqua ammonia during the war, were you not?

Mr. HAMMITT. As a matter of fact, the Roessler & Hasslacher Chemical Co., which at that time was taken over and controlled by the Alien Property Custodian, was the only source of cyanide that actually delivered cyanide in the United States during the war. They were considered an essential industry.

Senator Smoor. You are still selling them aqua ammonia?

Mr. HAMMITT. I think not, sir. We certainly would be glad to sell them aqua ammonia if we could make contracts on a basis on which we could get satisfactory terms for our aqua ammonia. Our policy is to sell any of our products to anybody that wants to buy them.

Senator Smoor. I had prepared some questions that I wanted to ask Mr. Peckham. I do not know whether I shall go into them now or not.

Mr. HAMMITT. I have been told, for example, by Mr. Seaman, the president of the Trojan Mining Co., who I am sure will not object to my mentioning his name in connection with this statement at this hearing, that he was visited before we came into the field by a representative of the Roessler & Hasslacher Chemical Co., and had laid on his desk a contract for his full requirements for three years, and

was told, "You can not get any cyanide unless you sign that contract." Mr. Seaman is a reputable gentleman and the president of a very responsible mining company. I believe his statement to be absolutely true. I mention that and his name in connection with it simply because it is thoroughly representative of many statements that have been made to us as to what character of exploitation was engaged in by the monopoly before our competition commenced.

Senator JONES. How long have you been making cyanide?

Mr. HAMMITT. We have been making it on a commercial scale since 1917.

In the statement of the Alien Property Custodian in connection with pending litigation over the ownership of stock of Roessler & Hasslacher Chemical, Co. there appears a statement with respect to the profits that were made by this company during this period of exploitation of the monopoly. There is a quotation (page 4824) in my brief from which you will see that the Roessler & Hasslacher Chemical Co. paid dividends up to 50 per cent in a year upon its capital stock, with net earnings up to 75.5 per cent; that the Niagara Electro-Chemical Co. paid dividends up to 1,000 per cent on its capital stock, with net earnings during 1916 of 1,662 per cent; and that the Perth Amboy Chemical Works paid a dividend of 100 per cent, with net earnings that did not quite reach that amount, but went over 90 per cent.

Senator SMOOT. The subsidiary company, of course, had only a small capital stock as compared with the business it did through the parent company. That is the reason, I suppose, that the profits were so exceedingly high.

Mr. HAMMITT. I think there must be some such explanation of that character of profits.

Senator SMOOT. But the mother company got the profits.

Mr. HAMMITT. Yes, sir. The profits of the mother company have justified a dividend by the mother company up to 50 per cent on its stock, and it was a conservative dividend, because it was only two-thirds of the net earnings of that year.

I should like to say something about the earnings of my own company.

Senator SMOOT. I took my figures from a report that I had.

Mr. HAMMITT. I think that that statement, like many of those statements, was figured on the gross earnings.

Senator SMOOT. I took those figures from Mr. Peckham's brief.

Mr. HAMMITT. I have a personal interest in the profits of the American Cyanamid Co., and I know whether they are making profits or not. I mean aside from any stock ownership.

Senator SMOOT. Do you get a percentage of the profits?

Mr. HAMMITT. It is usually the fact that the compensation of executives of manufacturing companies depends in one way or another to a certain extent upon the profits that the company makes.

Senator SMOOT. You get a percentage of the profits, do you?

Mr. HAMMITT. It is not as definite as that, Senator, but it does not come unless there are profits. It is not coming now.

Senator JONES. What is your official position?

Mr. HAMMITT. I am simply a member of the executive staff.

Senator JONES. You have no special title?

Mr. HAMMITT. No, sir.

Senator SMOOR. What is your compensation? I suppose you have a regular salary, and then the increase is based upon the profits of the company?

Mr. HAMMITT. Yes, sir.

We have not paid dividends on our preferred stock for the past six months. This is 6 per cent cumulative preferred stock, representing, as preferred stock usually does, whereas common stock does not always, actual cash investment in the company. That stock has not paid a dividend for six months, being short two payments up to date. We have never paid a dividend on the common stock of the company.

Our cyanide business is, of course, a small part in that particular picture. But if it is considered a matter of serious importance, I should be willing to go over, with the members of the committee, personally, detailed reports of cost of production and selling prices of this material, in order to convince the members of the committee that we would be excluded from the American market if any such tariff as is proposed were imposed. I do not want to make those facts a matter of public record.

It is simply an issue here of whether we shall, by a tariff, exclude the only real competitor of the American monopoly, or whether we shall have this cyanide offered only on the harsh terms of the monopoly to the mining industry, and, also, to the citrous-fruit industry in California, which uses more of this product in that one State in fumigating orange trees than the mining industry uses.

Senator JONES. What is the consumption of cyanide in the United States in a normal year?

Mr. HAMMITT. I think Mr. Rigney's statement on that would be much more accurate than mine. I should say that the consumption would be somewhere around 15,000,000 pounds.

Mr. RIGNEY. 15,000,000 to 18,000,000.

Senator JONES. What is the price per pound generally?

Mr. HAMMITT. I think that probably the present price is about 23 cents. Is it not, Mr. Rigney?

Mr. RIGNEY. Twenty-one cents.

Mr. HAMMITT. Mr. Rigney says it is 21 cents.

Senator JONES. And the proposed duty is what? I am not familiar with this particular schedule.

Mr. HAMMITT. Thirty-three and one-third per cent ad valorem or 7 cents per pound.

It is true that we have not yet gotten into other fields which are large users of cyanide, such as electroplating and casehardening of steel, because our cyanide is low-test material and it requires further processing in order to be available for these other uses. These other users are dependent upon the Roessler & Hasslacher Chemical Co. for their supplies. We will go into this field ultimately when our development reaches a stage where we can manufacture, unless we are excluded from the United States by a tariff provision.

I ask that my brief be included in the record.

BRIEF OF THE AMERICAN CYANAMID CO., NEW YORK CITY.

The American Cyanamid Co. protests against the imposition of a tariff of 33½ per cent ad valorem, or a specific tariff of 7 cents per pound, or any other tariff on potassium cyanide, sodium cyanide, cyanide salts, or mixtures of the

same. Such a duty upon cyanides is asked by the Roessler & Hasslacher Chemical Co. and by no one else. The Roessler & Hasslacher Chemical Co. is the only commercial manufacturer of cyanides in the United States, and in effect what it asks is a monopoly.

REQUEST FOR TARIFF DENIED BY THE HOUSE OF REPRESENTATIVES AFTER FULL CONSIDERATION.

The request for a duty on cyanide salts was first presented to the Committee on Ways and Means of the House of Representatives. It was carefully considered after full hearings and a decision reached to retain this material on the free list (pars. 1636 and 1654) and to preserve the present competition which has relieved important American cyanide-using industries from the former monopoly.

The House of Representatives sustained the decision of its committee.

Renewal before your honorable committee of the request for a duty denied by the House of Representatives makes it necessary to restate the facts upon which the decision of the House of Representatives was based.

There is but one commercial manufacturer of cyanide salts in the United States. This is a company of German origin, whose only effective competitor is an American company producing cyanide at Niagara Falls, Canada. The purpose for which a duty is requested is to exclude the products of this American competitor and reestablish an enormously profitable, but highly oppressive, monopoly that formerly existed.

Four producers compete in the cyanide markets of the world:

1. The American Cyanamid Co. (incorporated under the laws of the State of Maine), with its factory at Niagara Falls, Ontario. This company is controlled, officered, and managed by American citizens.

2. The Roessler & Hasslacher Chemical Co., through its subsidiary the Perth Amboy Chemical Works, with the latter's factory at Perth Amboy, N. J. (see Exhibit A).

3. Cassel & Co., an English firm, with its factories in Scotland and England.

4. The Deutsche Gold and Silber Scheide-Anstalt vormals Roessler, a German company, with its factories in Germany.

There is a cyanide manufacturer in France and one in Bohemia (Czechoslovakia). There is some foreign cyanide being produced from beet-sugar wastes and some from a gas-works by-product. The important factors in the cyanide industry of the world, however, and the ones that may be expected to survive as conditions return to normalcy, are the four companies above mentioned.

REPORTED DIVISION OF WORLD MARKETS.

According to report, the world markets have been so divided as to minimize competition between the German Scheide-Anstalt, its American offspring, Roessler & Hasslacher, and the English Cassel Co. These three companies use the Castner process of producing cyanide from sodium, ammonia, and charcoal. Until the recent development by the American Cyanamid Co. of its process of making cyanide by simple fusion of crude calcium cyanamid with common salt, the American market was controlled and prices and contract terms dictated to American consumers by Roessler & Hasslacher Chemical Co.

Messrs. Roessler and Hasslacher, two old employees of the great Frankfort (Germany) gold and silver refining company known as Deutsche Gold and Silber Scheide-Anstalt vormals Roessler, came to this company to introduce the products of the latter. They formed the Roessler & Hasslacher Chemical Co., which from the first, according to the report of the Alien Property Custodian (Exhibit A), was controlled by the German company through ownership of about three-fourths of the stock.

In 1890 the Roessler & Hasslacher Co. began to manufacture potassium cyanide at its works at Perth Amboy, N. J., by the old method of fusing potassium and ferro cyanide.¹

This process of manufacturing potassium cyanide gave way to the manufacture of sodium cyanide, not, as stated in the brief of Roessler & Hasslacher Chemical Co. before your committee, on account of any tariff situation, but because the Castner process came in to replace the older and less economical method. This Castner process made possible the production of metallic sodium at low cost by electrolytic action upon caustic soda. In all cyanide the val-

¹ Chemical Engineering Catalog (6th Ed., 1921), p. 1179.

uable constituent is cyanogen (CN), and sodium will hold a larger percentage of cyanogen than potassium will hold. As soon as the Castner process made possible the production of cheap metallic sodium, potassium cyanide gave place to sodium cyanide which could be made cheaper per unit of cyanogen. The absurdity of attributing this change to a difference in tariff duty between potassium cyanide and sodium cyanide is apparent from the fact that the same change to sodium cyanide took place also in England and Germany where American tariff protection certainly could have nothing to do with it. So complete was the change to sodium cyanide because of the Castner process that in 1916 the old method of buying and selling cyanide on the basis of its potassium cyanide equivalent was discarded, and nearly all cyanide is now sold throughout the world in terms of sodium cyanide equivalent.

As stated, the cheaper form of sodium cyanide made by the Castner process practically drove potassium cyanide out of the market. This gave the opportunity for setting up a monopoly in the hands of those who controlled the Castner process. This monopoly was so arranged as to give Roessler & Hasslacher Chemical Co. control of the American market.

The Niagara Electro-Chemical Co., in whose plant at Niagara Falls, N. Y., the metallic sodium is made, was founded in 1895. The Alien Property Custodian states that "the stock of this company was divided so that one-third of it went to Scheide-Anstalt, one-third to Roessler & Hasslacher, and one-third to English interests" (Exhibit A). The English interests were those engaged in England in manufacturing by the Castner process.¹ So the arrangement under which Roessler & Hasslacher Chemical Co., the American offspring of the German Scheide-Anstalt, took over rights under the Castner process, it appears that both the German and the English interests were taken care of. An excellent basis for excluding all competition with Roessler & Hasslacher Chemical Co. in the American market was thus established. The English company divided the world's markets with the German Scheide-Anstalt and its American representative, Roessler & Hasslacher Chemical Co.

NO COMPETITION UNTIL AMERICAN CYANAMID CO. ENTERED FIELD.

As a result of these arrangements, there was no competition in the American market until the American Cyanamid Co. undertook the production of cyanide in 1917 at its factory at Niagara Falls, Canada, using a new and still more modern process of fusing crude cyanamid with common salt.

Roessler & Hasslacher Chemical Co. does not ask for this duty because of fear of German competition. Roessler & Hasslacher may offer German cyanide at times rather than operate its American plant; but its real competition is the American Cyanamid Co. These two—Roessler & Hasslacher Chemical Co. and American Cyanamid Co.—are the important factors in the American market to-day.

The purpose of the proposed tariff is to exclude the American Cyanamid Co. from the American market and restore the former oppressive monopoly.

ROESSLER & HASSLACHER CHEMICAL CO. HAS A MONOPOLY OF CYANIDE MANUFACTURE IN THE UNITED STATES.

The Roessler & Hasslacher Chemical Co. now contends in its brief filed with your honorable committee that it has no monopoly of the manufacture of cyanide in the United States, "as all its patents under which cyanide is manufactured in the United States have long since expired." It further asserts, by way of contrast, that the processes used by the American Cyanamid Co. in the manufacture of cyanide "are protected by live patents, both in the United States and Canada."

The Roessler & Hasslacher Chemical Co. certainly has a monopoly of the manufacture of cyanide in the United States, because it is and always has been the only manufacturer in this country. It is true that the basic patent of the Castner process used by the Roessler & Hasslacher Chemical Co. has expired; just as it is also true that the basic patent of the process under which the American Cyanamid Co. operates in the manufacture of cyanide has expired. The American Cyanamid Co.'s operations are protected by subsequent and subsidiary patents. But the Roessler & Hasslacher Chemical Co. also

¹ See article by J. W. Richards, president American Electrochemical Society, in *Electrochemical Industries*, Vol. I (September, 1902), p. 14.

possesses a number of such subsequent and subsidiary patents that are still in existence.

We find in the patent records the following:

United States patent No. 1235687: Process of manufacturing cyanogen compounds; filed October 29, 1918, by Hans Foersterling, Herbert Phillip, and Ralph Nelson Sargent, of Perth Amboy, N. J., assignors to the Roessler & Hasslacher Chemical Co.

United States patent No. 1214770: Process of making cyanogen compounds; filed June 21, 1916, by Hans Foersterling and Herbert Phillip, of Perth Amboy, N. J., assignors to the Roessler & Hasslacher Chemical Co.

United States Patent-1832489: Process of manufacturing cyanogen compounds; filed October 29, 1918 (renewed January 14, 1918), by Hans Foersterling, Herbert Phillip, and Ralph Nelson Sargent, of Perth Amboy, N. J., assignors to the Roessler & Hasslacher Chemical Co.

There is still another patent covering a process of making cyanogen compounds, filed by Herbert Phillip and Hans Foersterling, June 2, 1910. We do not find a record of the transfer of this patent to the Roessler & Hasslacher Chemical Co. Mr. Phillip and Mr. Foersterling, however, were both connected with the Roessler & Hasslacher Chemical Co., and as already noted, had assigned to them other patents.

ROESSLER & HASSLACHER CHEMICAL CO. EXACTED ENORMOUS PROFITS AT EXPENSE OF AMERICAN CYANIDE-USING INDUSTRIES DURING PERIOD WHEN IT ENJOYED SUCH A MONOPOLY AS IT NOW SEEKS TO HAVE REESTABLISHED BY TARIFF PROTECTION.

According to the Government's sworn pleadings in the litigation pending at the time this brief is prepared,¹ the profits of the Roessler & Hasslacher Chemical Co. and its subsidiaries during the period before its monopoly was challenged by the American Cyanamid Co. were as follows:

Roessler & Hasslacher Chemical Co.: Earned during 1912, 15½ per cent on its capital stock; 18 per cent in 1913; 34.7 per cent in 1914; 89 per cent in 1915; and 75.7 per cent in 1916. Paid dividends out of profits to the extent of 16 per cent in 1912; 18 per cent in 1913; 25 per cent in 1914; 50 per cent in 1915; and 50 per cent in 1916.

Niagara Electro-Chemical Co.: Earned during 1912, 852 per cent on its capital stock; 700 per cent during 1913; 894 per cent during 1914; 1,100 per cent during 1915; and 1,662 per cent during 1916. Paid dividends of 850 per cent in 1912; 700 per cent in 1913; 900 per cent in 1914; 1,100 per cent in 1915; and 1,000 per cent in 1916.

Perth Amboy Chemical Works: Earned during 1913 profits to amount of 16.5 per cent on its capital stock; 42.9 per cent in 1914; 92.8 per cent in 1915; 90.6 per cent in 1916. Paid dividends of 16 per cent in 1913; 24 per cent in 1914; 75 per cent in 1915; and 100 per cent in 1916.

ROESSLER & HASSLACHER CHEMICAL CO.'S AFFILIATIONS FURNISH ALL PROTECTION IT NEEDS AGAINST GERMAN COMPETITION.

In its brief filed with your honorable committee the Roessler & Hasslacher Chemical Co. now declares that it is not a German concern and points out the fact (not questioned by anybody so far as we know) that it was organized under the laws of the State of New York in May, 1889. It admits that when war broke out between the United States and Germany approximately 47 per cent of its stock was owned by Germans, and that title to another part of the stock is now in litigation in the United States courts to determine the question of ownership.

The relations of Roessler & Hasslacher Chemical Co. to its parent, the German cyanide manufacturer, and to its subsidiaries has been officially reported upon by the Allen Property Custodian. The pertinent parts of the Allen Property Custodian's report are attached hereto as Exhibit A.

The findings of the Allen Property Custodian are:

(a) That the Roessler & Hasslacher Chemical Co. was the American branch of the great German Scheide-Anstalt.

(b) That prior to the war three-fourths of its stock was owned by the German company and its officers.

¹ Frans Roessler v. Francis P. Garvan, as Allen Property Custodian, Columbia Trust Co., and Roessler & Hasslacher Chemical Co., United States District Court, New Jersey district.

(c) That two-thirds of its Niagara subsidiary, in which metallic sodium (a raw material for the production of cyanide) is made, was owned by the German-American parent.

(d) That its subsidiary at Perth Amboy, in which sodium cyanide is made, was owned entirely by German-Americans.

(e) That just before America entered the war, and in order to avoid the sequestration of stocks of these companies as the property of enemy aliens, a "not genuine" sale was consummated giving major control to the German representative in America, and that 47 per cent of the stock of the Roessler & Hasslacher Chemical Co. was admittedly still German owned.

And so the Allen Property Custodian took over both the 47 per cent "admittedly German owned" and also "the stocks ostensibly transferred" but "in fact still German owned."

The only importance of these facts in regard to the question at issue is that the relationships of the Roessler & Hasslacher Chemical Co. with its German parent, whose product it markets in the United States, are such that it is in no need of protection against German competition.

It seeks protection against its only real competitor, the American Cyanamid Co., which employs no cheap labor in Germany or any other country, is American owned, officered entirely by native Americans, and pays taxes in the United States, and operates entirely in this country with the single exception of the plant on the Ontario side of the Niagara River.

IMPORTANT SAVINGS VITAL TO AMERICAN INDUSTRIES HAVE RESULTED FROM COMPETITION THAT WOULD BE ELIMINATED BY PROPOSED DUTY.

Cyanide salts, compounds, and mixtures are used for—

1. Extraction of gold and silver from their ores.
2. The generation of hydrocyanic acid gas—the fumigant most generally used in killing destructive scale on citrus trees.
3. The eradication of rats and other vermin.
4. The hardening of steel; and
5. Electroplating.

VALUE OF CYANIDE TO MINING.

One of the greatest developments ever made in the mining industry was the method evolved for the extraction of gold and silver from their ores by the use of cyanide. This development greatly increased percentages of gold and silver recovered and made possible the profitable working of low-grade ore and the creation of a great industry. There is no substitute for cyanide in this field. The method of its use is as follows: The cyanogen of the cyanide salt unites with the gold or silver of the ore when the latter is exposed to a cyanide bath. The solution containing the metal is then run off and the gold or silver "precipitated out" by the introduction of zinc. The cyanide solution is then strengthened and used over again.

Until 1917, when the American Cyanamid Co. undertook the production of cyanide, the mining industry was at the mercy of a great foreign combination originating in Germany.

The importance of cheap cyanide to the mining industry may be judged by a typical district, the Tonopah field, the largest American consuming district of cyanide for mining. Members of the Nevada Mine Operators' Association, confronted in 1921 by a delivered price of 28½ cents a pound quoted by the Roessler & Hasslacher Chemical Co., closed with the American Cyanamid Co. at 23½ cents for part of their requirements, and with the Roessler & Hasslacher Chemical Co. at a reduced price making their average saving 4½ cents a pound.

In the Tonopah district 2½ pounds of cyanide extract 15 ounces of metal from the average ton of ore. To the Tonopah miners there has been, therefore, a saving of 10 cents per ton of ore treated because of an average saving of 4½ cents a pound on cyanide through the competition of the American Cyanamid Co.

The amount saved to the gold industry in the United States in 1920 by the American Cyanamid Co. through its cyanide is at least \$100,000, measured only by the reduction in the Roessler & Hasslacher Chemical Co.'s prices for that year. As a matter of fact the saving was much greater, for the latter company had already lowered its price basis in the face of this competition.

Gold mining in this country is to-day in a serious condition. Many mines have been forced to close. So impossible has the situation become that there is pending in Congress a bill introduced by Representative McFadden (H. R. 5025) designed to tax gold used in the arts and to pay the proceeds of the tax to the producers of gold on the basis of one-half the present fixed price of gold for each ounce they produce. To place a tariff on cyanide—one of the principal raw materials in gold production—would be largely to defeat the purpose of the McFadden bill and to aggravate an already serious situation.

The same situation exists in the silver industry in a slightly lesser degree. To silver producers the saving in cyanide costs in 1920, measured by the difference between the Roessler & Hasslacher Chemical Co.'s prices and the American Cyanamid Co.'s prices for that year, is estimated at not less than \$125,000—an amount which represents but a part of the saving, since the Roessler & Hasslacher Chemical Co. during the previous year was forced to meet the price competition of the American Cyanamid Co. This saving should greatly increase if the latter company's cyanide productive capacity is encouraged. A tariff on cyanide would preclude this saving and jeopardize silver mining.

The number of men directly employed in gold and silver production where the cyanide method of recovery is practiced is approximately 20,000. This estimate does not include allied industries, such as the manufacture of mining machinery, etc., nor does it include men employed in industries which would indirectly but inevitably feel the ill effects of any further decline in gold and silver mining.

VALUE OF CYANIDE TO HORTICULTURE.

The citrus industry in California has some 20,000,000 trees in bearing and employs the year round about 25,000 men directly, rising to 50,000 during the picking season, and many thousands more in the support of these and in the shipment and marketing of their products. The value of last year's citrus crop is estimated at \$65,000,000 from property valued at \$300,000,000.

The control of insect pests that injure the citrus trees has been a chief factor in the success of the citrus growers, and this object has been successfully attained by temporarily inclosing each tree in a tent, inside which the tree is fumigated by hydrocyanic acid gas made from cyanide.

Some conception of the immensity of these fumigating operations may be gained from the estimate that 2,500,000 yards of cloth are needed for tentage for the fumigation of all the citrus groves, and that this tentage requires renewal at the rate of 500,000 yards each year.

Only about one-third of the citrus trees of California were thus fumigated in the last season. It was, however, from this one-third that the bulk of the crop was picked. So beneficial and important is fumigation by hydrocyanic acid gas that laws have been passed by which local authorities in charge of the eradication of insect pests in their districts may force its use by all growers. Citrus fumigation seems likely to become compulsory and universal.

Two years ago the American Cyanamid Co. entered the field with a new and improved process which rapidly displaced the old, inefficient, and dangerous method known as the pot method, whereby hydrocyanic acid gas is made by the action of sulphuric acid on cyanides in the field. The new process of the American Cyanamid Co. produced liquid hydrocyanic acid, and the Roessler & Hasslacher Chemical Co. now produces a similar material.

This competition resulted in a saving to the California fruit growers on last season's crop of more than \$250,000. Greater savings will accrue in the future, as more of the California crop is fumigated and the same methods are applied to the fruit crop in Florida.

VALUE OF CYANIDE IN ERADICATING VERMIN.

Another field in which cyanide will be used in growing quantities is the eradication of rats and other vermin. In the fight against typhus some 50 doctors and laborers were employed disinfecting ships daily in the port of New York alone, and similar activities were shown in other ports. The Department of Agriculture is fumigating freight cars at the Mexican border to keep out the pink boll weevil. The consumption in this work of disinfection probably amounts to 500 tons of cyanide annually.

The American Cyanamid Co. has now entered this field with new and improved methods to replace the dangerous and inefficient "pot method" of fumigation. Unless the American Cyanamid Co. is excluded from this field by a

tariff wall, the story of California will be repeated, except that in this case human lives, not fruit, will be protected by this new method of killing rats, lice, bugs, and other disease-bearing vermin.

CYANIDE IN CASEHARDENING AND ELECTROPLATING.

From 3,000 to 5,000 tons of cyanide are used in electroplating and casehardening metals. The Roessler & Hasslacher Chemical Co. now controls this field. A tariff duty of 88½ per cent will prevent competitors entering this field and increase by that amount the cost of cyanide to the present consumers for the benefit of one concern. The proposed duty will make it impossible for the American Cyanamid Co. to complete the developments underway to furnish cyanide compounds and mixtures for casehardening and electroplating industries.

A TARIFF ON CYANIDE WILL INJURE THOUSANDS OF AMERICAN WORKMEN FOR EVERY ONE IT PROTECTS.

The only statement made by the Roessler & Hasslacher Chemical Co. of the number of men engaged in cyanide manufacture in the United States is contained in its brief filed with the House Committee on Ways and Means. In that brief it is stated that approximately 250 men are engaged in producing cyanide in this country. Even this small number is undoubtedly a very liberal estimate. Against the tariff demands of the employer of these 250 should be offset the welfare of nearly 1,100 fumigators in the citrus industry, 25,000 citrus growers (50,000 at the peak of the picking) whose business is made profitable by cheap hydrocyanic acid, 20,000 workmen who gain by cheap cyanide in the gold and silver industries, and the increasing number employed in medical and sanitation work with hydrocyanic acid gas. All these American workers and those employed in allied and dependent industries and all Americans who enjoy the results of their labors will benefit by continuing cyanide on the free list.

The fact is that cyanide manufacture is to an extraordinary degree a matter of machines and methods. Man power enters but little into the making of cyanide, and by a cut in its price thousands gain for every one who loses.

THE WAGES PAID LABOR IN CYANIDE PRODUCTION AT NIAGARA FALLS, ONTARIO, BY THE AMERICAN CYANAMID CO. ARE AS HIGH, IF NOT HIGHER, THAN THOSE PAID LABOR IN COMPARABLE INDUSTRIES IN NIAGARA FALLS, N. Y.

Labor on the Ontario side at Niagara Falls is well paid, and in some instances, better paid than on the New York side. Any large discrepancy in labor rates is soon overcome by a shift across the river.

Since the real, effective, and permanent competition met by Roessler & Hasslacher Chemical Co. is that of the American Cyanamid Co. manufacturing at Niagara Falls, Canada, and not that of cheap German and Czechoslovakian labor, a tariff duty is not necessary to protect the wage scales of American workmen.

The substantial reasons for the lower price of Aero brand cyanide manufactured by the American Cyanamid Co., as compared with Roessler & Hasslacher cyanide, are more modern processes.

RAW MATERIALS FOR CANADIAN-MADE CYANIDE COME FROM UNITED STATES.

As a purchaser of raw materials from the United States, the manufacture of cyanide in Canada by the American Cyanamid Co. is on much the same basis as the manufacture of cyanide in the United States. The Canadian plant of the American Cyanamid Co. obtains its principal raw materials from the United States—coal from Pennsylvania, coke from Pennsylvania and Ohio, salt from New York, and electrodes from Niagara Falls, N. Y.

THE REVENUE DERIVED FROM ANY TARIFF ON CYANIDE WOULD BE EXCEEDINGLY SMALL.

The cyanide produced by the American Cyanamid Co. is a lower test material than that produced by the Roessler & Hasslacher Chemical Co., and therefore pays substantially more freight per unit of cyanogen content. As stated above,

this cyanogen is the valuable constituent in any cyanide, and all cyanide is sold on the basis of its cyanogen content. For this reason it is necessary for the American Cyanamid Co. to deliver approximately twice the quantity of its cyanide in order to receive payment for an equal number of pounds of "sodium cyanide equivalent."

Especially because of this additional cost of freight, the margin of profit is so small that, given a certain tariff, it may sometimes be difficult to state what revenue will develop. On the other hand, given a tariff of 83½ per cent ad valorem, or 7 cents per pound, as requested by the Roessler & Hasslacher Chemical Co. it is not difficult to state that no revenue whatever will result with present manufacturing and materials costs what they are; because this tariff will exclude the product of the American Cyanamid Co. In its brief filed with your honorable committee the Roessler & Hasslacher Chemical Co. make the following statement on this subject (p. 1116):

"Admitting for the sake of argument that prewar conditions will again prevail, and that approximately one-half of the cyanide consumed in the United States will be imported, it is safe to assume that the annual duty collected thereon at the rate requested will be far in excess of a half million dollars."

Even this amount of revenue does not bulk large in any revenue program, and would be more than offset by the losses in the industries dependent upon cheap cyanide. The fact is that importations will disappear under such a burden, the pockets of a few men will be lined, and several hundred thousand workers and consumers will suffer directly or indirectly.

IN CONCLUSION.

The proposed tariff will subject American cyanide-using industries to the dictation of an oppressive monopoly exercised by the American child of the great German gold and silver refining company located at Frankfort, Germany.

The competition which this company now meets in the American market, and which would be excluded by the proposed tariff, is that of an American company operating at Niagara Falls, Canada.

This competition has saved in 1920—

1. More than \$250,000 to the citrus growers of California.
2. More than \$100,000 to the American gold industry.
3. More than \$125,000 to the American silver industry.
4. In the years to come it will save many times these sums to these industries and also to the casehardening industry, the electroplating industry, the Florida citrus industry, the disinfection and sanitation of foreign ships arriving in American ports, the extermination of the pink boll weevil, and other activities.

The industries represented employ directly 50,000 people and indirectly many thousands more, and the cheapness with which these workers produce their results benefit the whole country.

The cyanide produced in Canada, which will be excluded by the tariff, is not the product of cheap labor.

The tariff proposed will not produce any revenue, and any tariff on cyanide could not possibly produce a substantial revenue.

The request for a duty on cyanide should be denied in the interest of preserving the present beneficent competition.

EXHIBIT A.

The Roessler & Hasslacher Chemical Co. and its relations to its subsidiaries have been officially described by the Allen Property Custodian of the United States. We quote from his report:¹

The Roessler & Hasslacher Chemical Co. "was a branch of the great Frankfort gold and silver refining company known as the Deutsche Gold and Silber Scheide-Anstalt vormals Roessler, and was organized by Messrs. Roessler and Hasslacher, two old Schelde-Anstalt employees, who came to this country to introduce the goods of the parent house. From the first, the German concern and its officers and employees owned about three-fourths of the stock of the American house. * * * In 1895 the Niagara Electro-Chemical Co. was founded to manufacture metallic sodium by means of the electric power avail-

¹ Report of Allen Property Custodian, pp. 363 and 364, Journal of Industrial and Engineering Chemistry, Apr. 1, 1919.

able in Niagara Falls. The sodium thus produced was used for the manufacture of cyanide of sodium in this country, a business which immediately became exceedingly profitable. The stock of this company was divided so that one-third of it went to the Scheide-Anstalt, one-third to Roessler & Hasslacher, and one-third to English interests. This company had a capitalization of \$100,000, made fabulous profits, and for the five years before our entrance into the war averaged over 900 per cent in dividends annually."

The Allen Property Custodian continues:

"Meanwhile the Perth Amboy Chemical Works had been established with a capital of \$400,000 to manufacture formaldehyde and wood distillation products; 1,960 of the 4,000 shares of this company were held by the Roessler & Hasslacher Co., a similar amount by another outside German corporation, the Holzverkohlungs Industrie, A. G., and a casting vote was left in the remaining 80 shares with Roessler & Hasslacher. In the summer of 1916 the officers of the Roessler & Hasslacher Chemical Co. began to ask the authorities of their parent house to transfer to them more of the stock. The first request was made in a letter which contained a distinct intimation that this change in holdings need not be permanent. In subsequent letters they insisted, as reasons for the proposed sale, that the political situation was very acute; that German-owned property in this country might be sequestered, and that if any of their goods were to be imported and were to get by the British they would have to be able to say that the company which did the importing was not German owned. This proposition met no response. On the contrary, the Scheide-Anstalt officers replied that they did not understand what Messrs. Roessler & Hasslacher wanted; that what they proposed must either be a real or a pretended sale; that if a pretended sale was what was suggested the idea was dangerous; and that if a real sale was meant a price would have to be charged which Messrs. Roessler & Hasslacher would, under no circumstances, be willing to pay. They then suggested that a confidential man should be sent over to explain just what was wanted. * * *

The Allen Property Custodian goes on to say:

"* * * The Scheide-Anstalt people can not have avoided fully understanding just what was wanted, except on the supposition that the letters didn't mean what they said and that the real proposition was one which it was dangerous to put on paper. Their refusal, at all events, even to name a price was unequivocal. They said in substance, 'rather than part with "the best cow in the barn," we ought to take every risk of the political situation and trust to fighting our rights in free America.' Notwithstanding this discouraging statement, Messrs. Roessler & Hasslacher did send over a confidential man as was suggested. This emissary, Mr. Oscar R. Seltz, a New York lawyer of Swiss descent, with some German connections, reached Frankfort on February 1. He brought no letters of introduction, power of attorney, or means of identification. The Scheide-Anstalt people did not know for certain that a confidential man was coming, or that if so, it was to be Mr. Seltz. Yet he says that after a few brief interviews in which he offered no argument other than those which had already been stated in the letters from Mr. Hasslacher to his German intimates the Scheide-Anstalt people agreed to sell to the American representatives the following stock: 3,800 shares of Roessler & Hasslacher at 200, 140 shares Niagara Electrochemical Co. at 400, 80 shares Perth Amboy Chemical Works at 200. No counter offer was apparently made, and there seems to be no hesitation about the price, nor was there any suggestion of the purchase of the balance of the German holdings. A wireless was then, on February 6, 1917, sent to the New York office, and upon this wireless the stocks were transferred on the books of the companies and the necessary \$860,000 was remitted to the German house. The stocks thus sold carried with them control of all three companies. The price paid represented a book value approximately twice as great, and the average annual dividends for the preceding five years on the three blocks of stock combined figured out at over 39 per cent on the purchase price. As regards the Niagara stock, the book value was nearly four times the purchase price, while the average dividends for five years figure out an annual return of 225 per cent on the purchase price."

The Allen Property Custodian then concludes:

"These facts and a host of additional circumstances likewise pointing inevitably to the conclusion that this sale was not genuine, were brought out in a prolonged proceeding conducted by my representative before the attorney general of the State of New York, who had the power to subpoena witnesses.

In the meantime the 47 per cent of the stock of the Roesler & Hasslacher Chemical Co., which was admittedly still German owned, had already been taken over. I thereupon determined, by virtue of the authority conferred upon me by the trading with the enemy act and by the presidential proclamations thereunder, that the stock ostensibly transferred in February, 1917, was in fact still German owned, and accordingly I thereupon issued demand for it. This proceeding will result in the Americanization of the most important German-owned chemical companies outside of the dye industry."

SUPPLEMENTAL STATEMENT.

Mr. P. Samuel Rigney, assistant treasurer of Roesler & Hasslacher Chemical Co., which requests a duty on cyanide, testified at the hearing before the Senate Finance Committee on December 30 that his company could not monopolize the manufacture of cyanide in the United States because it had no American patent on the manufacture of cyanide.

Without assuming to give a complete list of all patents affecting the manufacture of cyanide, this memorandum refers to three such patents which have been taken out in recent years and assigned to Roesler & Hasslacher Chemical Co. Copies of these patents are attached for the files of the committee and for examination by members of the committee. These patents are: No. 1,214,770, dated February 6, 1917; No. 1,332,439, dated March 2, 1920; No. 1,235,887, dated August 7, 1917.

While certain provisions of these patents refer to cyanogen compounds in general, the following refer to cyanide in particular—"cyanide" and "cyanid" being precisely the same material: No. 1,214,770, claims 6 to 17, inclusive; No. 1,332,439, claims 5 to 11, inclusive; No. 1,235,887, claims 8, 9, 11, 12, 13, 14, 15, 16, 17, 18.

STATEMENT OF ALFRED W. GRAY, REPRESENTING THE CHAMBER OF COMMERCE OF THE CITY OF NIAGARA FALLS.

Mr. GRAY. Mr. Chairman and gentlemen of the committee, I speak on behalf of the Chamber of Commerce of the City of Niagara Falls.

Senator SMOOR. To what paragraph do you intend to address yourself?

Mr. GRAY. I am speaking on the same proposition as the previous witnesses—cyanide.

The Chamber of Commerce of the City of Niagara Falls is a very active, energetic body and is seeking to save that great electrochemical city from what you might say would be ruination by free trade.

Senator SMOOR. By what?

Mr. GRAY. Ruination by free trade in chemicals. In other words, the chemical industry of that city, as we believe, is absolutely dependent upon protection for its success.

Senator SMOOR. Do you want a duty on cyanide?

Mr. GRAY. We want a duty on cyanide.

The city of Niagara Falls is the chief producer of electrochemical products and has been for some years. During the Great War it was probably the most important producing center for war materials, since even Pittsburgh was dependent upon Niagara Falls for materials to enable it to manufacture its steel successfully.

Senator McCUMBER. Where is the competition from?

Mr. GRAY. Mostly from Germany and Czechoslovakia.

Senator JONES. On cyanide, where is the competition?

Mr. GRAY. From Germany and Czechoslovakia and Canada.

Senator JONES. Who produces cyanide at Niagara Falls?

Mr. GRAY. The cyanide itself is not produced at Niagara Falls. Niagara Falls has five large plants manufacturing caustic soda, and

they employ in the neighborhood of 2,000 men in those plants, making millions of dollars of product.

The Niagara Electro-Chemical Co., a subsidiary of the Roessler & Hasslacher Chemical Co., manufactures metallic sodium from caustic soda, and that is shipped from Niagara Falls to Perth Amboy, where with ammonia it is converted into cyanide. That company manufactures such cyanide as is manufactured in the United States.

I have taken pains to inquire relative to the facts regarding any patents which would prevent any other company or any other person in the United States from manufacturing cyanide in the same manner as this company does, and I have found there is no patent outstanding which would prevent free and complete competition in this country, so that while in the past we have had the field here—when I say “we” I mean the Niagara Electro-Chemical Co. and the Roessler & Hasslacher Co.—so far as American manufacture is concerned there is no reason why to-morrow another plant could not be built which could compete in case these people should not deal fairly with the people of the United States.

While we employ in the Niagara Electro-Chemical Co. approximately 500 men in the manufacture of sodium, about one-half of that sodium is used in the manufacture of cyanide, so that the plant is shut down to approximately one-half of its capacity, because there is not now and has not been for a year or more any sale for sodium for the use of cyanide manufacture. Good cyanide is pouring in from two different sources to a large extent at the present time. It is coming in from Canada. The American Cyanamid Co. manufactures a low-grade, so called, of cyanide, but it is called low grade more particularly because it contains a low content of cyanogen. That is used in gold mining. It is useful in gold mining, but it is not used in other branches. On the other hand, from Czechoslovakia and from Germany—perhaps at the present time more particularly from Czechoslovakia—large quantities of cyanide of high grade, namely, about 96 to 98 per cent, is coming in and taking entirely the field in other uses, namely, in electroplating and in the hardening of steel and in the manufacture of fumigating substances used in the citrus-fruit country for the killing of insects. I believe that out there they put a tent over the fruit tree and inject this gas into the inclosure and the animal life on the tree is killed without injuring the vegetable life. Now, all of those uses, I understand, with the exception of the use in mining, have been largely, if not entirely, developed by the Niagara Electro-Chemical Co. and the Roessler & Hasslacher Chemical Co. They have built that up by experimentation and have made these large uses possible, amounting practically to three-quarters of all the cyanide in this country, about one-quarter going to the mining industry.

The question has been asked why it is that we on this side can not compete with Canada. The reason is this: In the first place, sodium and caustic soda are manufactured at Niagara Falls, N. Y., for the reason that, so far as the United States is concerned, we obtain there the cheapest power near the large markets. But just across the river they get their power for one-half of what we have to pay for it on the American side. It is a peculiar circumstance that while two-thirds of the water that goes over Niagara Falls goes over upon American territory, only one-third being on the Canadian side—

one-half of the Horseshoe Falls is American territory and the remaining one-half of the Horseshoe Falls is Canadian territory—they should have the right to two-thirds of all the water that goes over, but under the treaty between Great Britain and the United States two-thirds of all the power that is developed is developed on the Canadian side by Canadians, and it is considered Canadian power. That is as I understand the situation to be.

Just last week a new immense power development was completed in part; that is, certain units were completed. I might say in this connection that it is possible to terminate this treaty at any time. It is rather expected that this treaty will be terminated in a short time and the Canadians will have a still greater percentage of the power produced.

Senator JONES. Did I understand you to say that it is proposed to give Canada a still larger percentage of the power?

Mr. GRAY. I can say this, Senator, that on the Canadian side they have planned for a very much larger development of power. They have completed, in part, the Hydro-Electric Power Co. development, which is to give many hundreds of thousands of horsepower. While this treaty lasts they can take only so much of the water. It is presumed, in view of the fact that they are spending millions of dollars, that they expect to terminate the treaty.

Senator CURTIS. What is there to prevent you from building, too?

Mr. GRAY. The Government on the Canadian side is doing the building, but on the American side the Government will not permit building because they want to conserve the Falls.

This development on the Canadian side is owned by the Government, to a large extent. The Government, through the hydroelectric commission, is selling power at less than the cost of development, so that while they are paying \$12 per horsepower on the Canadian side, we are paying \$24 on the American side. In the manufacture of caustic soda power enters to the extent of one half, the other half being labor. So you can see that while labor costs are about equal on both sides, the power cost is so unequal that they can undersell us. I have been informed quite recently that the new process used on the Canadian side is a cheap process, so that they can continue to undersell. The only way we can be helped is to give us a duty, or impose a duty, which will give the American side a chance to do business. Still the Canadians will have a process that costs a little less.

Senator JONES. The last speaker said their patent on process had expired.

Mr. GRAY. I think he was speaking with reference to the patent of the Roessler & Hasslacher Co. My understanding is that they have a number of years to run.

Senator McCUMBER. He said there were subsidiary patents, but that there were later patents on some process for both of the companies.

Mr. GRAY. There is no patent on the American side which would interfere in any way with anyone starting out in opposition.

Senator McCUMBER. If you have a patent at all, it would interfere.

Mr. GRAY. They have not a patent that has not expired. I have that information from Mr. Rigney. Isn't that so, Mr. Rigney?

Mr. RIGNEY. We have no American patent on the manufacture of cyanide that has not expired.

Senator McCUMBER. Have you any patents on the same process?

Mr. RIGNEY. Oh, no.

Mr. GRAY. I understand the Roessler & Hasslacher Co. is a company which deals in many different products and manufactures different materials other than this particular product. Perhaps some of the profits which they are alleged to have made were made out of other products. I do know that the Niagara Electro Chemical Co. was incorporated at \$100,000, but the plant which represents its stock is worth over \$2,000,000, so that they might pay 1,000 per cent on the capital and pay only 5 per cent on their investment. That plant was built in conservative days by conservative people and they did not pour water in the stock.

Senator SMOOR. May I ask what you are asking for?

Mr. GRAY. We are asking for 38½ per cent, or 6 to 7 cents a pound.

Senator SMOOR. That is what Mr. Rigney asked for, is it not?

Mr. GRAY. Yes. We have no knowledge, except as they gave it to us.

Senator JONES. Do you prefer an ad valorem rate or a specific?

Mr. GRAY. I have no personal knowledge. I should have to ask them. Mr. Rigney, what do you say?

Mr. RIGNEY. If the committee adopts the American valuation we prefer the ad valorem rate; otherwise, we prefer the specific rate.

Senator JONES. You want it the best way for yourselves?

Mr. RIGNEY. Yes; we want to play it both ways.

Mr. GRAY. If this duty is kept off, my understanding is from them—and we have their assurances and their acts up to the present time to back it up—that cyanide will not be manufactured in this country by them, that sodium will not be used, and that it will therefore cut down largely the production of caustic soda. That company buys over \$1,000,000 of caustic soda from manufacturers in Niagara Falls yearly. It spends from \$750,000 to \$1,000,000 in Niagara Falls, so that we at Niagara Falls consider this a very important industry to us. If the duty is removed we expect that these products will not be further manufactured here; that for possibly a year, perhaps less, or until this business is entirely wiped out, cyanide will sell cheaper in this country than it otherwise would.

Senator JONES. What is the duty now?

Mr. GRAY. It has been free since the enactment of the last tariff act.

We do expect also that immediately upon the business of manufacturing in this country being wiped out the price will be raised by the foreign producers, as is always the case, and as has been the case with this very product.

Under the Dingley tariff bill the duty on potassium cyanide, which is comparable to this, because potassium and sodium are simply carriers of the cyanide—it is not used other than as a carrier—was 25 per cent ad valorem. It was reduced, however, to 12.5 per cent. That drove the manufacturer of potassium cyanide entirely out of this country. Sodium cyanide at that time had not been manufactured commercially.

Senator SMOOR. I think that we know your views.

Mr. GRAY. I shall simply add this, that if it had not been for our manufacture of this material during the war this country would have been in dire distress. Can we afford to place ourselves at the mercy of foreign countries? If this duty is taken off the price is going higher, as it always does.

It is very important to this city which I represent that these interests should be kept there. We get our taxes. They employ our people. The industry is important to these people and to the Government because the Government gets its income tax. It gets a duty which results from the bringing in of the product which will come in and compete and which will produce a substantial revenue.

The objections that have been raised have been based largely on raising the cost of the product to the mining industry. That is trifling. They claim that it is 1.6 cents to a ton of ore. It is so infinitesimal that it cuts no figure.

Senator JONES. Do the citrus-fruit people want this tariff?

Mr. GRAY. They have no objection to it.

The argument that this is a German-owned company is, of course, not correct. It has been determined that it is an American-owned company. But if it were a German-owned company, it would not matter, for the money is being spent here in the city of Niagara Falls. The city is dependent to some extent at least upon the industry and it might be added that in case of war we would have the plants here.

Senator JONES. Have you a surplus of power on the American side of the Falls?

Mr. GRAY. We have now because the chemical plants are shut down.

Senator JONES. I mean normally.

Mr. GRAY. During the war we did not have enough power by considerable. Just prior to the war we had just about reached the point where we had to get some more power or stop growing.

Senator JONES. If we are using all the power, economically speaking, would it not be advisable to have the benefit of some cheap power on the Canadian side?

Mr. GRAY. We ought to get it over.

I would like to file a brief covering more completely what I have said, and I have also been requested to file a resolution passed by the Perth Amboy Chamber of Commerce, Perth Amboy, N. J., requesting the placing of a duty upon this product.

Senator McCUMBER. Very well; those papers will be made a part of the record.

Mr. GRAY. This is the brief of the Chamber of Commerce of the City of Niagara Falls, prepared by a committee of which Mr. George W. Whitehead is chairman.

BRIEF OF THE CHAMBER OF COMMERCE OF THE CITY OF NIAGARA FALLS.

The Chamber of Commerce of the City of Niagara Falls, representing the business interests of said city, and to that extent the business interests of the State of New York and the United States, respectfully presents to this committee for its consideration the following facts, which it believes are sufficient to show that the manufacture of sodium cyanide in the United States should be protected by a tariff which will equalize the difference of cost of manufacture between this country and other countries, to the end that the manufacture of this product in the United States shall not be wiped out.

Niagara Falls in the electrochemical center in the United States, and its prosperity depends upon the success of its electrochemical industries, and during the recent war its every energy was taxed to the utmost in order to make the production that was required by the Government, and its products were more vital to the country in the war than the products of any other city in the Republic.

The principal competitors in the electrochemical industry are the Germans, who can manufacture and lay down in this country their products at a figure which would absolutely wipe out certain essential and established industries in this city unless protection is given them, and having done this, can do as they have often done in the past, viz, raise the price to such an extent that they will recoup all losses that they have sustained during the period of competition, the period of competition being for a few months, while the period for exacting the exorbitant prices from our consumers would cover many years.

Among the industries of this city the manufacture of caustic soda and sodium (the latter being manufactured from the former) take first place. The sodium manufactured here is converted into sodium cyanide at Perth Amboy by substantially the same interests as those which own the company manufacturing the sodium here, and any legislation or lack of legislation which would result in the destruction of the business of manufacturing sodium cyanide would destroy the business of manufacturing sodium in this city and would affect most disastrously the business of the manufacture of caustic soda.

The Niagara Electro Chemical Co., which has a large factory here devoted largely to the manufacture of sodium used as above stated in the production of sodium cyanide, expends in this city annually and has spent here for several years past from seven hundred fifty thousand to a million dollars a year for pay roll and approximately \$1,000,000 annually for materials manufactured here and entering into its product; so that the destruction of the business of the manufacture of sodium cyanide would result in a loss to this community, according to a careful estimate, of a portion of the pay roll devoted to the manufacture of sodium and the amount paid out for the products of other companies here in the manufacture of sodium of approximately one and one-half million dollars a year.

This item, coupled with the letting up of business in other chemicals manufactured here owing to the peculiar existing conditions abroad, would mean nothing less than a calamity to this community, and if it can be avoided by our National Congress it, of course, should be.

It seems that the difference in cost of production at the present time between United States and Germany—and the same is also substantially true between the United States and Czechoslovakia, another competitor in the same field—is approximately 7 cents a pound, or about 83½ per cent ad valorem, and with an import duty in this amount American manufacturers could successfully compete, whereas if such a duty is not imposed it is, of course, evident under these circumstances that the foreign producer will drive out the local manufacturer, and when the field is obtained will advance the price to such figure as it may see fit.

That the foregoing forecast of what would result is not mere speculation, but is shown by the history of the industry, we beg to refer to the statement of facts almost parallel set forth in the speech of your honorable chairman made before the United States Senate on the 4th of September, 1913, when the duty upon cyanide was under discussion, where he there states that this very thing occurred in connection with the reduction of the duty on potassium cyanide from 25 to 12½ per cent, which was not a sufficient duty to enable the industry to live, and that at the same time by placing a 25 per cent duty upon sodium cyanide, which had theretofore not been manufactured in this country, that product monopolized the field, as the cyanide is the important element, the sodium or potassium being the mere carrier for the cyanide. This city, the State, and the Nation are alike interested in the placing of a tariff upon these products and the continuance of that business here in a very direct way—the city by reason of hastening prosperity and the increased revenue it would receive growing out of the taxes upon the property and the accumulations of the employees of the company; the State and Nation, because of the fact that they share not only in the increase made by the employees of the company, but also the income of the company itself through income taxes, and the Nation further by the receipt of import duty upon such sodium cyanide as would come into the country in competition with the manufacturer here, which would in all probability be a very substantial sum if the duty were fixed at a figure which would equalize the cost of production at home and abroad.

Against this contention, which seems to be unanswerable, is urged the claim that this company is partially German owned, and the fact that the company in Perth Amboy, which converts the sodium into sodium cyanide, is partially German owned.

Assuming this to be true, it is no argument, as it is certainly better to have the Germans earn money for us in this country and pay our Government revenue than to earn money for the Germans in Germany and pay Germany revenue.

Another contention made against the demand for a tariff is that it increases the cost of gold mining, which industry the Government seems to foster. This contention is set forth at great length in briefs filed before the Ways and Means Committee of the House when this bill was before that body, but the brief itself contains its own refutation and reduces the argument to an absurdity, for in the very first page of that brief it is stated that the difference in cost between the cyanide used in gold mining with and without a 33 per cent duty would be 1.6 cents per ton of ore. In other words, about what they would pay to a miner for lifting one shovel of dirt.

The major portion of the argument advanced before the Ways and Means Committee was the importance of cyanide in the various industries in which small quantities were used, such as in spray mixture in horticulture, in fumigation for the destruction of insects and the eradicating of vermin, in the electroplating industry, case-hardening of steel, etc., several of which industries were developed by the Niagara Electro Chemical Co. and its associated company for the purpose of creating a market for its product. The very argument advanced, viz, that these are important industries which should be protected by enabling them to obtain at a reasonable figure cyanide salts, is answered by the fact which is known to all, and to which we have adverted heretofore, viz, that if a duty is not placed upon this product it will not be and can not be manufactured in this country, and these industries would then be at the mercy of the foreign manufacturer, who unquestionably would place the price at a higher figure than it would be placed if there was domestic competition, and furthermore, in the event of any condition which would cut off importation of these products after the destruction of the business here these interests would be most seriously affected, and in a time of war we would be deprived of the use of this material, which had become most important in the hardening of steel and which was required in greater quantities by the Government in the preparation of a deadly gas which was about to be used at the time of the signing of the armistice, so that it appears clearly that by a destruction of this business in this city the Nation would suffer greatly in time of peace, but even more in time of war.

The placing of the duty upon this product is also opposed by a company known as the American Cyanamid Co., which manufactures a low-grade cyanide at Niagara Falls, Ontario. Large units of power are consumed in the manufacture of this product and the cost of power is a very important item in its manufacture, and partly as a result of our treaty arrangements with Great Britain and partly as a result of the wisdom of the Canadian Government in the handling of its power matters, the Canadian manufacturer gets his power at approximately one-half of what the American manufacturer on this side of the river has to pay for power. He is therefore able to undersell the American in the American market and the American can not compete in the Canadian market. This can only be remedied by a duty placed upon the importation of cyanide salts, or by an immediate taking over by the Government of our power developments, as was done by the Canadian, and the selling of the power at less than the cost of producing it, which, of course, will not be done.

In justice, therefore, to this industry, which was founded upon the tariff which existed prior to the Underwood bill becoming a law, and which continued to prosper during the war period, because the war was even more effective than the tariff in shutting out competition, but particularly in the interests of this city and of the State and Nation, we urge the importance of an import duty upon all cyanide salts in an amount sufficient to equalize the difference in cost of production between this country and the foreign country producing the same the cheapest.

PERTH AMBOY CHAMBER OF COMMERCE,
Perth Amboy, N. J., August 4, 1921.

Resolved, That it is the sense of the board of directors of the Perth Amboy (N. J.) Chamber of Commerce that sodium cyanide, manufactured by the Niagara Electro Chemical Co., under the management of the Roessler & Hasslacher

Chemical Co. of this city, ought to in justice to the American manufacturer, and in the interests of this community, be placed on the dutiable list of the pending tariff. This action is necessary that the company mentioned may not be destroyed by competition of foreign manufacturers, which competition it can not meet: Be it further

Resolved, That the first vice president, acting in the absence of the president, appoint a committee to appear before the Finance Committee of the United States Senate in the interests of the matter, if such appearance is permitted or deemed advisable: Be it further

Resolved, That copies of this resolution be sent to the members of the Finance Committee of the United States Senate and United States Senators J. S. Frey-linghuysen and Walter E. Edge.

PERTH AMBOY CHAMBER OF COMMERCE.
J. F. BERGIN, *Secretary*.

ADDITIONAL STATEMENT OF P. SAMUEL RIGNEY, REPRESENTING THE ROESSLER & HASSLACHER CHEMICAL CO., NEW YORK, N. Y.

Senator McCUMBER. Mr. Rigney, I believe you testified before.

Mr. RIGNEY. Yes; and I would not request permission to speak again if it were not for the fact that opponents to the duty on cyanide filed briefs with the Ways and Means Committee, but did not submit themselves to examination by the members of the committee, and the further fact that in the briefs filed there were a number of glaring misstatements that I would like to have corrected on the record.

Senator SMOOT. Have you a brief covering this?

Mr. RIGNEY. I have not had time to prepare one, because it is only within the last few days that I secured the brief of the Homestake Mining Co., and I have not yet seen a copy of the brief of the American Cyanamid Co. filed before this committee, and I am not sure they are exactly the same as the briefs before the Ways and Means Committee. I would like, however, while I am here on my feet, to call Senator Sterling's attention to one or two things in the brief filed, and I am sure if he had read the brief through he would object to the statements as they appear in that brief.

Whether they are intentionally placed so as to convey the wrong impression or whether it is unintentional, I am unable to say, but here is what their brief does say [reading]:

The Roessler & Hasslacher Chemical Co. had and still has a monopoly on the manufacture of cyanide in this country, and while it is true that they increased their production to meet the requirements during the war, the conduct of this company and its subsidiaries was such both as to the enormous profits made and as to its German affiliations that it was investigated by the Alien Property Custodian, whose report covers somewhat in detail the operations of the concern, and as a result of which investigation the capital stock was taken over by the Alien Property Custodian, notwithstanding the efforts of the company to disguise its true ownership.

From this report we quote: "This company had a capitalization of \$100,000, made fabulous profits, and for the five years before our entrance into the war averaged over 900 per cent in dividends annually."

In the report of the Alien Property Custodian, he referred to the Niagara Electro Chemical Co. as making these enormous profits and not to the Roessler & Hasslacher Chemical Co. The fact is that the Niagara Electro Chemical Co. is organized under the laws of the State of New York with a capital stock of \$100,000, and assets of over \$3,000,000, and it is a subsidiary of the Roessler & Hasslacher Chemi-

cal Co., the Roessler & Hasslacher Chemical Co. owning a majority of the stock.

It has been said here by the gentlemen representing the American Cyanamid Co., and it is also contained in their briefs, that the Alien Property Custodian took over the Roessler & Hasslacher Chemical Co. during the war. That is not so; it is absolutely and unqualifiedly untrue.

The same men who run the company for the last 15 years ran it during the war and are running it to-day. The Alien Property Custodian received into his possession a certain number of shares of stock, and appointed two members of the board of directors of that company, who served up to a short time ago.

The Alien Property Custodian did not take over the management of that company, and never did manage the company. The majority of the stock, not only of the Roessler & Hasslacher Chemical Co., but of its subsidiary companies, is American owned and has been ever since the war.

Senator JONES. You say the capital stock of that American company is \$100,000?

Mr. RIGNEY. Yes, sir.

Senator JONES. How much capital was actually put into it in the beginning—at the time of its organization?

Mr. RIGNEY. I presume not more than \$100,000 at that time, but the Niagara Electro Chemical Co. is simply a subsidiary of the Roessler & Hasslacher Chemical Co., and is only considered as a branch for Roessler & Hasslacher.

Senator JONES. What I am trying to get at is this: How much additional money has been put into it by the parent company, if any?

Mr. RIGNEY. That I would have to get the records for. I could not give you that statement offhand, sir.

Senator JONES. I should like to know whether or not with that original capital of \$100,000, the profits of that concern have built it up to its present state where its assets amount to \$3,000,000.

Mr. RIGNEY. That, I think, could easily be given you, sir. I want to say this, that when this company was organized—

Senator JONES (interposing). Will you furnish that statement, please, for the record?

Mr. RIGNEY. We will furnish you any figures that the committee desire.

Senator JONES. I would like to know the amount of money which has actually been put into that subsidiary company by the parent company?

Mr. RIGNEY. We have no desire to hide anything.

Senator JONES. I am sure of that.

Mr. RIGNEY. But I want to say, in refuting the statement that was made here about the combination for the manufacture of cyanide, that when the Niagara Electro Chemical Co. was organized it was organized to take over the American patents for manufacturing cyanide, and those patents were owned by the Cassel Co., the English company.

And these particular patents and all patents that we use covering the manufacture of cyanide have expired. I would like to have the committee straight on the proposition. Senator Sterling seemed to

convey the impression that this demand for a duty on cyanide was something new. Cyanide has always had a duty up to the Underwood tariff, and it was only under that act, which became effective in the fall of 1913, that the duties were removed. If the World War had not come along when it did, there would not be any cyanide industry in the United States. Under the Payne-Aldrich Tariff Act, when sodium cyanide was included in the basket clause with a duty of 25 per cent, our plant for the manufacture of cyanide was built up.

There were other chemical concerns started to manufacture cyanide and were manufacturing cyanide when the Underwood tariff went into effect, and as soon as the duty was taken off all of them discontinued the manufacture of cyanide except our company, and when the war in Europe broke out and it was impossible to buy European cyanide every industry in the United States requiring the use of cyanide had to come to our company, because we were the only ones who had a plant in operation.

Senator JONES. What is the cost of production of cyanide at Niagara Falls?

Mr. RIGNEY. To-day?

Senator JONES. Yes.

Mr. RIGNEY. About 21 cents. We offered contracts to American miners this past year at a price a trifle below cost in order to hold our customers, in the hope that we would get a duty.

Senator JONES. What was the price of cyanide in 1912?

Mr. RIGNEY. Cyanide in 1912, as I remember, sold for around the same figure.

Senator JONES. That was the price, then, under the Payne-Aldrich Act?

Mr. RIGNEY. Under the Payne-Aldrich Act; yes, sir.

Senator JONES. And it did not get lower than that?

Mr. RIGNEY. Yes; it did. In 1914 we sold to the Homestake Mining Co. something over 300,000 pounds at 18.7 cents; and in 1915 we sold 96.98 per cent cyanide for 20.18 cents a pound; and in 1916 it went up to 25 cents; in 1917 it was 25 cents; for a part of their requirements in 1918 we got 30 cents; and then it dropped down to 25; it was 25½ in 1919; and it has been gradually going down ever since.

Senator JONES. Is there any of the foreign product imported into the United States now?

Mr. RIGNEY. Yes.

Senator JONES. Who imports it?

Mr. RIGNEY. There are a number importing; we are importing.

Senator JONES. Who else?

Mr. RIGNEY. I can not give you the names; I would not like to say offhand.

Senator JONES. We have had the statement made here, as I understand it, that the German interests will not sell cyanide to anybody in the United States except your concern.

Mr. RIGNEY. I think that is purely imagination, because I can give you a list of men offering cyanide in the market to-day. We are buying cyanide to hold our customers, because we can have it delivered at the port of New York at about 6 cents cheaper than we can make it.

Senator McCUMBER. Can they get it from the particular companies you get yours from?

Mr. RIGNEY. I know of no reason; in fact, I can say truthfully that they can.

Senator JONES. Senator Sterling made a very concrete statement regarding the statement he got from one individual that had been over in Germany and had tried to make a contract for cyanide over there, and that they referred him to your concern.

Mr. RIGNEY. Yes. Well, I think the party who wrote that letter is a disgruntled ex-employee of ours.

Senator McCUMBER. How is it that it is only the English company that is doing business in Canada?

Mr. RIGNEY. That is not true. We have sold cyanide in Canada. We are not selling it there now, but we have sold it in large quantities in Canada.

Senator McCUMBER. Does this German company sell in Canada?

Mr. RIGNEY. Yes; they do.

Senator CURTIS. Is there any cyanide coming from Spain or Japan?

Mr. RIGNEY. No, Senator; the only cyanide that ever came from Spain or Japan was small quantities that came over here during the war and that had been shipped to those countries from some other source.

And I want to say in that connection, gentlemen, that this monster that I represent, this monopoly—the highest price they charged to any of their contract customers was, as you see, 30 cents. In the open market cyanide brought as high as \$2 a pound during that period.

Senator JONES. Who furnished that?

Mr. RIGNEY. That was odd lots, as the Senator says, picked up in foreign countries and brought back to this country to meet the requirement here, because, in view of the fact that the duty had been taken off and other manufacturers had abandoned the work and we were the only ones left. We had difficulties getting raw material, we had difficulty getting transportation, and we were only able to get out production up to something like 17,000,000 pounds per annum, when the normal consumption was much larger, and at that time there was a great deal of cyanide used in the war industries.

Senator JONES. What quantity of cyanide are you importing now from Germany?

Mr. RIGNEY. Why, we have imported within the last year, I should say, 5,000,000 pounds, roughly.

Senator JONES. How much have you produced since that time?

Mr. RIGNEY. Practically the same amount. You see, the only market that we can hold for any length of time—and that will not be for long—is the electroplaters and the casehardeners of steel, because they require high-grade cyanide and can not use the product that is now made on the Canadian side.

Senator JONES. And you are getting your imported cyanide for 6 cents a pound less than your cost of production?

Mr. RIGNEY. Cost of production; yes, sir.

Senator JONES. What is the profit on your American-produced cyanide? Does it amount to 6 cents a pound?

Mr. RIGNEY. I say that we have offered and have sold to all miners and the fumigators in the citrus industry for the past two years at a

loss in order to hold our customers, hoping that the Congress will give us protection so that we can maintain our industry.

Senator JONES. As a business proposition, why did you not import enough and sell it at a lower price?

Mr. RIGNEY. Because we do not want to throw our men out of employment and dismantle our factory.

Senator JONES. Do you mean to say that your profit on the imported cyanide now is about 6 cents a pound below your cost of production?

Mr. RIGNEY. Well, no; I won't say the profit, because we have handling charges here; but there is a handsome profit in the importing of the foreign material.

Senator JONES. You are making more profit off of your imported material than you are off of the domestic produced?

Mr. RIGNEY. We are not making any profit; we are taking a loss on the American-made cyanide that we sell to the large consumers. We have a large number of small customers who buy 100 or 200 pounds of cyanide at a time, and they pay a higher price.

Senator JONES. If you can make a profit of 6 cents a pound on the importation, why would it not be a better business proposition for you to import it all and sell to the American consumers?

Mr. RIGNEY. Because we are an American company; we have our money invested here in our plants, and we are employing American labor, using American raw materials, and paying American taxes; and we want this industry to continue in America.

Senator McLEAN. Why continue to make anything in this country; why not shut up shop?

Mr. RIGNEY. That is it exactly. If we are not given a protective tariff by this Congress our plants will be closed and about \$3,000,000 worth of property scrapped, several thousand people will be thrown out of employment, and our executive force and sales force will make more money in selling imported cyanide than we are making to-day.

Senator McLEAN. So it is the American dollar that your company is trying to get?

Mr. RIGNEY. Yes.

Senator McLEAN. And if you can get more out of it by handling the foreign product, you want this committee to understand that you are making less from a patriotic motive because you want to manufacture your commodity in the United States?

Mr. RIGNEY. Not exactly; not entirely so. We are selling at a loss now so that we may be able to retain our customers, and when the duty is put on we can make the material for practically the same price at a profit for this reason: That our overhead will be reduced corresponding with the increased production.

—I want to illustrate. Our cost in raw material and in labor increased 100 per cent during the war period. Yet for a few months did we charge more than 60 per cent increase on the cyanide, and during the greater part of the whole war period the increase was 33½ per cent, while our labor and raw material cost us probably 100 per cent advance. We were able to do that because of the fact that the increased quantity produced brought down the overhead so that we could make a profit at a lesser price.

Senator Smoot. If you imported all of your cyanide and sold it so as to make a profit on it, it would take you a good many years, would

it not, to make profit enough to take care of the \$3,000,000 that you had invested, which, if you did that, would go to rack and ruin and be thrown on the junk heap!

Mr. RIGNEY. It would take a great many years. We have in West Virginia on the Kanawha River 200 acres of land which we purchased there because of the proximity to salt wells. We have over a quarter of a million dollars in buildings standing there idle, and they have been idle for nearly two years.

Senator JONES. Is this cyanide your principal product?

Mr. RIGNEY. It is one of our principal products, Senator. It is, I might say, the largest single product. We have a great many other products.

Senator McCUMBER. It is time to close the testimony now.

Mr. RIGNEY. May I have the permission of the committee to file a brief answering the briefs of the American Cyanamid Co. and the briefs of Homestake Mining Co.

Senator McCUMBER. We can not go into rebuttals and surrebuttals.

Mr. RIGNEY. I would not have made the request had I had the opportunity to get the briefs.

SUPPLEMENTAL BRIEF OF P. SAMUEL RIGNEY, REPRESENTING THE ROESSLER & HASSLACHER CHEMICAL CO., NEW YORK, N. Y.

The Roessler & Hasslacher Chemical Co. respectfully renews its request that potassium cyanide and sodium cyanide be taken from the free list, paragraphs 1636 and 1654, respectively, and reclassified under a new paragraph with a duty on all cyanide salts, compounds, combinations, and mixtures containing cyanide of 33½ per cent ad valorem.

While it is true that our request for a duty on cyanide was denied by the House of Representatives, it is also true that this is the first time that the House of Representatives, whether controlled by the Republican Party, pledged to the protection of American industries, or the Democratic Party, the exponents of tariff for revenue only, ever reported a tariff act which did not contain a duty on cyanide.

The Underwood tariff bill (H. R. 20182) provided for a duty on cyanide potassium, paragraph 69, of 1½ cents per pound, and on sodium cyanide, paragraph 71, of 1½ cents per pound.

The action of the present House of Representatives in placing sodium cyanide and potassium cyanide on the free list is contrary to every principle having in view the reasonable protection of American industries and is wholly unwarranted by the conditions which prevail in the chemical industries in the world.

The slogan "Build up the American chemical industry," so powerful during the war, has evidently been forgotten, as the cyanide industry is absolutely essential not only in war but in peace.

The statements contained in the brief filed by the Homestake Mining Co. are either entirely irrelevant or the facts have been so distorted as to convey a false impression, while the statements contained in the brief of the American Cyanamid Co., as well as those made by its representative before your committee, are either grossly exaggerated or so glaringly untrue that they are an insult to the intelligence of your committee.

If the statements made by the opponents of a duty on cyanide that "The Roessler & Hasslacher Chemical Co. is the American branch of the great German Scheide Anstalt" were true, we would not have requested your committee to put a substantial duty on cyanide salts, neither would we in 1919, after the end of the World War, have entered into long-term contracts for power, raw material, etc., and made other arrangements to maintain our war-time production of sodium cyanide. We would under such circumstances be found on the side of the American Cyanamid Co. protesting against the imposition of a tariff of 33½ per cent ad valorem or any other tariff on cyanide salts, to the end that the American producer thereof be driven from the field and the cyanide market of the United States be divided between the foreign manufacturers, including both the great German Scheide Anstalt and the American Cyanamid Co.

The Roesler & Hasslacher Chemical Co., incorporated under the laws of the State of New York (1889), with its subsidiaries, the Niagara Electro Chemical Co., incorporated under the laws of the State of New York (1895); the Perth Amboy Chemical Works, incorporated under the laws of the State of New Jersey (1903); and the Pacific R & H Chemical Corporation, incorporated under the laws of the State of California (1919), operate factories in New York, New Jersey, West Virginia, and California, where only American raw materials are used and only American labor employed.

The company has its principal office in New York City, with branch offices in Boston, Philadelphia, Chicago, Cleveland, Pittsburgh, San Francisco, Kansas City, and New Orleans. It pays taxes in 11 States, as well as to the Federal Government, but none to the Dominion of Canada or any other foreign nation.

The charge repeatedly made that the Roesler & Hasslacher Chemical Co. has a monopoly on the manufacture of cyanide in the United States is entirely without foundation. The patents covering the process used by it in the manufacture of sodium cyanide have long since expired. There are no patents in force covering the process under which the Roesler & Hasslacher Chemical Co. and its subsidiary, the Niagara Electro Chemical Co., manufacture cyanide. United States patents Nos. 1214770, 1235887, and 1332439, together with the patent covering "Process of Making Cyanide and Compounds" filed by Phillip & Foersterling June 2, 1910, all of which are set forth in the brief of the American Cyanamid Co. filed with your committee, do not in any way affect the said process.

The American Cyanamid Co., in its brief, admits that its process is protected by subsequent and subsidiary United States patents and alleges that said process is much more modern. If it was sincere in its desire to protect the interests of the American consumer of cyanide by active competition, it could readily have established its plant for the manufacture of cyanide in the United States. It already has a plant at Werner, N. J., where it converts Canadian-made cyanamid into a fertilizer known as "Ammono-Phos." The American Cyanamid Co., however, has shown no desire to compete with the Roesler & Hasslacher Chemical Co. on an equal basis in the United States.

The American Cyanamid Co. established its plant in Canada in order to obtain the advantage afforded by cheap Canadian water power. (See testimony of Mr. Hammitt before your committee.) This company now has the impertinence to ask the Congress of the United States to leave cyanide on the free list, so that it may sell cyanide made with low-priced Canadian water power in unrestricted competition with the cyanide made in the United States from American raw materials, by American labor, and with the high-priced American water power.

The Roesler & Hasslacher Chemical Co. never exacted enormous profits at the expense of American cyanide-using industries during the period when the patents under which it operates were in force or at any other time. It did, however, give the consumer of cyanide in the United States the advantage of every reduction in cost, whether through increased production or the lowering of prices of the raw materials.

No better illustration of the treatment accorded its customers by the Roesler & Hasslacher Chemical Co. can be given than by the following table of prices, in car-load lots, charged by it to the mine operators of the United States for the past 13 years:

Year.	Price based on—		Year.	Price based on—	
	Potas- sium- cyanide contents.	96-98 per cent sodium cyanide.		Potas- sium- cyanide contents.	96-98 per cent sodium cyanide.
	Cents.	Cents.		Cents.	Cents.
1908.....	18	22.86	1915.....	16	20.18
1909.....	18	23.04	1916.....		23.25
1910.....	18	22.95	1917.....		25
1910.....	17½	22.31	1918.....		30
1911.....	17	21.93	1918.....		25
1912.....	17	21.93	1919.....		25½
1913.....	17	21.93	1920.....		21½
1914.....	14½	18.70			

It will be noted that from 1909 to 1913 there was a gradual decline in the price of cyanide to the American consumer, regardless of the fact that during that period sodium cyanide was protected under the Payne-Aldrich tariff act (basket clause) by

a duty of 25 per cent ad valorem, and that during said period the patents on the process used by the Roessler & Hasselacher Chemical Co. were still in force.

The drop in the price of cyanide in 1914 was the result of the removal of the duty under the Underwood tariff act. As soon as the duty on sodium cyanide was removed the German manufacturer dumped millions of pounds on the American market, forcing the Roessler & Hasselacher Chemical Co. to curtail its production and turn importer in order to hold its customers. Were it not for the fact that the war in Europe started in August, 1914, less than a year after the removal of the duty on cyanide by the enactment of the Underwood tariff the Roessler & Hasselacher Chemical Co. would have been forced by European competition to discontinue the manufacture of cyanide in the United States.

Had the manufacture of sodium cyanide been abandoned by the Roessler & Hasselacher Chemical Co. and its plant dismantled, the American consumer of cyanide would have been unable to obtain that very necessary chemical during the war; the mine operators, including the Homestake Mining Co., would have been forced to discontinue operations; the citrus fruit industry of California would have been unprotected against the ravages of insects; and the electroplaters and heat treaters of steel would have been forced to revert to old and antiquated methods long since abandoned. In addition to all this, the industries engaged in essential war work for the Government of the United States and the Allies would have been seriously handicapped and our preparations to enter into the World War would have been indefinitely postponed.

The experience of the United States Government in its attempt to manufacture cyanide under the Bucher process at Saltville, Va., is proof positive of the fact that the construction and operation of a plant for the satisfactory production of cyanide is no small task and can not be accomplished within a short time. The United States Government spent several million dollars in the construction and operation of the Saltville plant, and up to the close of the war had never turned out cyanide in commercial quantities.

The Roessler & Hasselacher Chemical Co. has consistently fought for a duty on cyanide. As far back as 1897 a representative of this company appeared before the Ways and Means Committee of the House of Representatives and filed a brief in support of a duty on potassium cyanide, the only cyanide then commercially known. (See pages 121, 122, 123, tariff hearings before the Committee on Ways and Means, 1896-97, vol. 1.)

When the Underwood Tariff Act was under consideration the Roessler & Hasselacher Chemical Co. used every legitimate means to have the duty on both potassium cyanide and sodium cyanide retained. A brief in support of said duty was filed with the Ways and Means Committee of the House of Representatives. (See pages 371, 372, and 373, tariff hearings, Committee on Ways and Means, House of Representatives, 1913, vol. 1.)

A further brief was filed with the Finance Committee of the United States Senate. (See pages 413-414, hearings and statements before Committee on Finance, United States Senate, Sixty-second Congress, on bill H. R. 20182.)

At that time, when the rate of exchange between the United States and European nations was normal and the difference in the cost of production in the United States and Europe was more nearly equal, the Roessler & Hasselacher Chemical Co. petitioned the Congress of the United States that the rates of duty on cyanide salts be fixed as follows: "For potassium cyanide, at 2 cents per pound specific; for sodium cyanide, at 2½ cents per pound specific; or on a revenue basis at a uniform rate for both potassium and sodium cyanide, at 2½ cents per pound."

The foregoing facts refute the statement contained in the brief of the American Cyanamid Co., that: "The purpose of the proposed tariff is to exclude the American Cyanamid Co. from the American market and to restore the former oppressive monopoly."

The American Cyanamid Co., according to its own report, did not begin the manufacture of cyanide until 1917.

Your attention is particularly called to the fact that the Underwood bill (H. R. 20182), as passed by the House of Representatives, provided for a specific duty of 1½ cents per pound on both potassium cyanide and sodium cyanide. This proposed duty, however, was stricken from the bill by the Finance Committee of the United States Senate. The majority of the members of the Ways and Means Committee at the time the Underwood tariff was under consideration were either in favor of free trade or a duty for revenue only, but were farsighted enough to see the necessity of placing a duty on cyanide. The failure of the Finance Committee of the United States Senate to concur in the action of the Ways and Means Committee was no doubt due to the opposition of certain mining interests.

Now that the majority of the members of the Finance Committee of the United States Senate are members of the political party pledged to the reasonable protection of all American industries we feel that our appeal will not be disregarded and the essential industry established under the protection afforded by the Payne-Aldrich tariff and built up under the artificial protection afforded by the World War to meet all the requirements of the United States will not be destroyed through the lack of adequate protection.

The statement made by Mr. Hammitt before your committee on December 20, 1921, that "As a matter of fact the Roessler & Hasslacher Chemical Co., which at that time was taken over and controlled and operated by the Alien Property Custodian, was the only source of cyanide that actually delivered cyanide in the United States during the war in so far as it relates to the acts of the Alien Property Custodian is absolutely and unqualifiedly untrue.

The Roessler & Hasslacher Chemical Co. was never taken over, controlled, or operated by the Alien Property Custodian.

The following facts relative to the stock ownership in said company may be of interest to your committee:

1. A complete list of the stockholders who were or who might be alien enemies was furnished the Alien Property Custodian, and the holdings of said stockholders delivered to the Alien Property Custodian immediately on demand. Such ownership represented approximately 47 per cent of the stock of the aforesaid company.

2. That prior to our entry into the World War and the enactment of the trading with the enemy act the majority of the capital stock of both the Niagara Electro Chemical Co. and Perth Amboy Chemical Works was owned by the Roessler & Hasslacher Chemical Co., and the majority of the capital stock of the latter company was owned by American citizens. All the officers and directors of the aforesaid companies were American citizens, with the exception of one, who was a citizen of Great Britain.

3. That in April, 1918, at the request of the Alien Property Custodian, two of the six directors of the Roessler & Hasslacher Chemical Co. resigned so that the custodian might be represented on the board. Two men were designated by the custodian to act as directors, both of whom are well and favorably known in the financial circles of New York City. Both the said directors were regular in their attendance at the meetings of the board of directors and the executive committee from the time of their appointment to the date of their resignation a short time since.

4. The Alien Property Custodian, in the regular performance of his duty, sold the German-owned stock of the Roessler & Hasslacher Chemical Co. and its subsidiaries at public auction in the late summer of 1919. The said stock was struck down to a man by the name of "Armour" on a bid which was largely in excess of the real value of the stock. The sale was never consummated, although the deposit required as a condition precedent to the right to bid had been made.

5. The title to the 3,800 shares of capital stock of the Roessler & Hasslacher Chemical Co., as well as title to certain shares in the Niagara Electro Chemical Co. and the Perth Amboy Chemical Works, was questioned by the then Alien Property Custodian, and a proceeding was instituted under the New York statute before the attorney general of the State of New York in July, 1918, and the various facts appertaining to the title to the aforesaid stock were gone into by the attorney for the Alien Property Custodian. All the parties in interest were examined at length, and later one of the principal directors of the German Scheide Anstalt was examined by an attorney representing the Alien Property Custodian concerning the fact leading up to the sale and transfer of the stock in question.

The fact that the majority of the stock of the Roessler & Hasslacher Chemical Co. was owned by American citizens prior to our entry into the World War has been satisfactorily established, and all actions, suits, or proceedings in any way affecting the title to said stock have been discontinued.

In this connection, we beg to submit herewith memorandum of the Alien Property Custodian to this company, dated January 20, 1922:

WASHINGTON, D. C., January 20, 1922.

MEMORANDUM RE ROESSLER & HASSLACHER CHEMICAL CO.

Capital stock, authorized and issued, 13,000 shares (par \$100).

Enemy shares reported by Roessler & Hasslacher Chemical Co., 5,934.

Enemy shares reported by Speyer & Co., 184.

Reported by Bureau of Investigation, Alien Property Custodian office, 3,800.

Demand for the shares reported by the Roessler & Hasslacher Chemical Co. was served on April 4, 1918. The certificates were transferred to the name of the custodian

and deposited with the Alien Property Custodian depository. Demands for the 3,800 shares reported by the Bureau of Investigation were served April 7, 1919. Pursuant to such demand certificates for 3,585 shares were turned over to the Alien Property Custodian and deposited with the Columbia Trust Co. as Alien Property Custodian depository. Certificates for the remaining 215 shares were never turned over to the Alien Property Custodian. Demand for 100 of the 184 shares reported by Speyer & Co. was subsequently withdrawn, and certificates for the 84 shares remaining were afterwards issued in the name of the Alien Property Custodian and deposited with the Bank of Manhattan Co. as Alien Property Custodian depository. Thus the Alien Property Custodian was in undisputed possession of certificates for 6,018 shares in his name and had physical possession of certificates for 3,585 shares, and, further, had demanded 215 additional shares for which no certificates were surrendered and none issued in the custodian's name.

The determination that the 3,800 shares reported by the bureau of investigation were enemy property was disputed by the corporation and by certain American citizens who had certificates for various portions of this 3,800 block registered in their respective names. The investigation showed that an agreement had been made between the enemy and Franz Roesler for the latter to purchase from the former 3,800 shares of stock, same representing the control of the company. These negotiations were started in 1916 and resulted in the issuance of a certificate of stock for 3,800 shares in the name of Franz Roesler in February, 1917. The custodian's investigators were not satisfied that Franz Roesler had acquired good title to these shares and considered that the transfer was made in contemplation of war and was but a temporary arrangement. The Roesler & Hasslacher Chemical Co. and Franz Roesler contended that the transfer was a bona fide sale. Franz Roesler and certain American registered owners of this 3,800 block subsequently filed notice of claim and suit under section 9 to recover these shares. These suits were filed in the United States district court of New York and New Jersey. To determine the question of ownership required that the courts issue letters rogatory for the taking of testimony and the examination of the enemy's books in Germany. This the court refused to do, stating, it is said, that the matter could be determined at the end of the war. The matter was in this situation when the present Alien Property Custodian took office. With a view to having the matter determined, it was decided to institute court proceedings under section 17 to require the issuance of new certificates of stock for the disputed 3,800 shares. However, this came to the attention of the attorneys for the corporation, and they secured an injunction restraining the Alien Property Custodian from instituting such suit. At this juncture it was decided to avoid future litigation, and many hearings were had in the matter before the Alien Property Custodian, his general counsel and assistant general counsel, and other members of his staff, as well as outside counsel. The result of these hearings was the release by the Alien Property Custodian of his demands for the 3,800 shares on the understanding that the same be placed in a voting trust for a period of not less than five years, and the placing of certificates for 6,018 shares, to which the custodian holds undisputed title, by the custodian in said voting trust. This voting trust was executed on October 3, 1921, for a period of five years, the stock pledged therein representing control of the corporation in the hands of the voting trustees to be voted by such trustees. These trustees, five in number, were selected, two by the Alien Property Custodian, two by the Roesler & Hasslacher Chemical Co., and these four selected the fifth. In this manner the control and supervision of a majority of the outstanding shares of the corporation was vested in five American trustees for a period of not less than five years.

PERTH AMBOY CHEMICAL WORKS.

Outstanding capital, 4,000 shares (par \$100).

Shares reported by company, 1,960.

Shares reported by Bureau of Investigation, Alien Property Custodian Office, 80.

These 80 shares represent a control of the corporation and were treated in the same manner as were the 3,800 shares in the Roesler & Hasslacher Chemical Co.

NIAGARA ELECTRO CHEMICAL CO.

Outstanding capital, 1,000 shares (par \$100).

Shares reported by company, 110.

Shares reported by Bureau of Investigation, Alien Property Custodian Office, 240.

The custodian demanded but 35 per cent of the outstanding stock of this company, and at no time was in a position to control its management. The 240 shares reported

by the bureau of investigation were treated in the same manner as were the 3,800 shares of the Roesler & Hasslacher Chemical Co.

All of these shares, namely, 3,800 shares Roesler & Hasslacher Chemical Co., 80 shares Perth Amboy Chemical Works, 240 shares Niagara Electro Chemical Co., are to-day in the undisputed possession of their American registered owners, the demands made for such shares by the Alien Property Custodian in 1919 having been marked "satisfied" by reason of the voting trust agreement of October 3, 1921, aforementioned.

The Alien Property Custodian was represented on the board of directors of the Roesler & Hasslacher Chemical Co. by two out of six directors; in the Perth Amboy Chemical Works by two out of seven directors; and had no representative on the board of directors of the Niagara Electro Chemical Co.

Respectfully submitted.

THOMAS W. MILLER,
Alien Property Custodian.

The American Cyanamid Co. in its brief filed with your committee dwells at length on the various uses of cyanide, but fails to mention that the majority of these uses, particularly in electroplating and heat treating of steel, were developed by experts in the employ of this company. Men associated with and in the employ of this company are responsible for the development of the use of hydrocyanic acid gas, developed from cyanide, in the fumigation of citrus trees in California and elsewhere in the United States.

The statements made by the American Cyanamid Co. as to the large amount of money saved by the various users of cyanide in the United States through the efforts of that company are without foundation in fact and can not be substantiated.

The Fruit Growers' Supply Co., of Los Angeles, representing approximately 75 per cent of the citrus industry of California, in a letter to our company under date of February 21, 1921, stated, among other things, as follows:

"The Fruit Growers' Supply Co.'s dealings with the Roesler & Hasslacher Chemical Co., covering a term of years, have been very satisfactory, and we believe have resulted in material benefit and saving to our members."

The letter of Mr. Arthur L. Halvorsen, dated December 27, 1921, and filed with your committee by Senator Sterling, representing the Homestake Mining Co., does not warrant extended comment. Mr. Halvorsen is a young man who was employed in our manufacturing plant for a number of years. He left us of his own volition and has since tried to reenter our employ. It is probably a fact, as stated by him, that the Deutsche Gold & Silber Scheide Anstalt refused to sell him cyanide, as our company is at present the selling agent for said German company in the United States and Mexico. We have repeatedly stated that we were forced to buy German cyanide in order to hold our customers until such time as the Congress of the United States will put a sufficient duty on cyanide to enable us to again supply our customers with the production of our plants in the United States. The statements made by Mr. Halvorsen that a duty of 33 1/2 per cent will not keep Germany out is significant. Mr. Halvorsen is entitled to an expression of opinion, but his belief as to the existence of an agreement between our company and German and English manufacturers of sodium cyanide dividing the world market is not borne out by the fact that we have consistently fought for a duty on cyanide sufficiently large to permit us to compete with all foreign manufacturers.

The American Cyanamid Co. devotes considerable space in its brief to a statement of the earnings of the Roesler & Hasslacher Chemical Co. and its subsidiaries for the years 1912 to 1916, inclusive, but fails to mention what the earnings of said companies have been since that date. Neither the Roesler & Hasslacher Chemical Co. nor the Niagara Electro Chemical Co. paid dividend in 1920. All the profits of the Roesler & Hasslacher Chemical Co. and the Niagara Electro Chemical Co. are not derived from the manufacture and sale of cyanide, as both the said companies manufacture numerous other chemicals, and in addition the Roesler & Hasslacher Chemical Co. is a large jobber of chemicals.

The Roesler & Hasslacher Chemical Co. has been in existence since 1889 and the Niagara Electro Chemical Co. since 1895, and each year a part of the earnings of said companies was used in the earlier enlargement and improvement of their manufacturing plants, so that in 1919 the invested assets of said companies were far in excess of the original capitalization.

On April 30, 1919, the combined capital stock authorized and outstanding of the Roesler & Hasslacher Chemical Co. and its subsidiaries amounted to \$1,800,000,

while the total assets on that date amounted to about \$8,000,000, no part of which was represented by licenses, patents, or good will.

The balance sheet of the American Cyanamid Co. as of June 30, 1918, shows the authorized capital stock to be \$18,000,000, of which \$14,588,500 was issued. The balance sheet of said company as of June 30, 1918, gave the total assets as \$17,609,135.97, the two principal items of which are \$5,523,129.05 for licenses, patents, and capitalization expenses and \$4,865,141.30 investments in subsidiary companies.

The total gross sales of the Roesler & Hasslacher Chemical Co. and its subsidiaries for the four months ending April 30, 1919, aggregated \$6,898,088.17, while the total gross income for the same period amounted to \$7,092,898.75. The aggregate net income of said three companies for said period was \$430,581.87. (From condensed consolidated statement of income and expenditures prepared by the Alien Property Custodian and printed as part of a notice of sale of the German-owned stock of the aforesaid company.)

In order that your committee may draw its own conclusion and make its own comparison of the earnings of the Roesler & Hasslacher Chemical Co. with that of the American Cyanamid Co., we beg to submit the following figures from the report of the president of the American Cyanamid Co. on behalf of the board of directors, dated August, 1919. This report shows that the gross sales of said company for the full year ending June 30, 1918, amounted to \$6,194,668.15; that the total gross income for said period was \$8,702,276.40; and the net income derived therefrom amounted to \$1,601,410.36.

By comparing the foregoing statements it will be seen that on a gross income of approximately \$8,700,000 the American Cyanamid Co. had a net income of \$1,600,000, while the Roesler & Hasslacher Chemical Co., on a gross income of approximately \$7,000,000, had a net income of \$430,000 and at a rate of less than one-third of the rate of income of the American Cyanamid Co.

The foregoing figures carry more conviction than all the misleading statements printed or spoken by the American Cyanamid Co. or its representatives.

In view of the fact that the American Cyanamid Co. claims to be patriotically American, we beg to submit for the consideration of your committee the report of its president for the year ending June 30, 1918:

AMERICAN CYANAMID CO.,
New York City, August, 1918.

To the shareholders:

Your directors have to present herewith their annual statement of the affairs and financial condition of your company at the close of fiscal year, June 30, 1918.

During the year under review your company has entered a new field and has temporarily withdrawn from its normal field of activity, the fertilizer industry. During the latter part of 1917 there developed a great need of ammonia for the manufacture of military explosives. As the nitrogen in cyanamid readily lends itself to conversion into ammonia, the full capacity of the conversion plant at the Warners (N. J.) factory for the year 1918 was contracted for by the United States Ordnance Department, and the product is being shipped out in the form of aqua ammonia, to be used in the manufacture of ammonium nitrate. The full production of the sulphuric-acid plant at the Warners factory is also being utilized by manufacturers of explosives under Government contracts. It will thus be seen that the initial manufacture of ammonium phosphate, to which has been given the trade name of "Ammo-Phos," for the production of which the New Jersey factory was erected, has had to give way to the more important demands occasioned by the war. However, much preliminary work has been done, and the practicability of the process of manufacturing "Ammo-Phos" and the agricultural value of the product have been satisfactorily demonstrated. In the manufacture of aqua ammonia from cyanamid at the "Ammo-Phos" works in New Jersey only a part of the installed equipment is utilized, but the plant is being maintained in full operating condition for the manufacture of "Ammo-Phos" immediately at the close of the war, or when the Government's demands for aqua ammonia from this source have been supplied.

At Niagara Falls the production of cyanamid was materially curtailed for seven months by the improper action of the Ontario Power Co., of Niagara Falls, in withdrawing a portion of our contract power and diverting it to other uses. After tedious negotiations we were successful, however, in having the full amount of our power restored on April 23, 1918. Further progress and refinements have been made during the course of the year in the manufacture from cyanamid of a low-grade cyanide, the resulting product during that period being the main, if not the sole, dependence of one of the large mining and refining companies for the extraction of their gold and silver ores.

The company also enjoyed during the year an increased production of rock from its phosphate mines at Brewster, Fla., as a result of the additional equipment which it has installed. Shipments, however, have fallen short of production, due to the inability of the railroads to supply the necessary cars.

On May 1, 1918, there was paid a dividend of 3 per cent on the preferred stock, covering the six months' period ended December 31, 1916. This leaves unpaid dividends amounting to 9 per cent on the preferred stock for the 18 months ended June 30, 1918. Your directors at their last meeting carefully considered the advisability of making further declarations against these accrued dividends but unanimously decided that, notwithstanding the company's excellent earnings, it was to the interest of the individual holder of both the preferred and common stock, as well as the company as a whole, to maintain, for the time being at least, the strong financial position which has been acquired.

During the latter part of 1917 the Air Nitrates Corporation was formed for the purpose of acting as agent for the United States Government in the construction and subsequent operation of plants for the manufacture of ammonium nitrate by way of the cyanamid processes. Up to this time the Air Nitrates Corporation has contracted for three plants—one at Muscle Shoals, on the Tennessee River in northern Alabama; one near Cincinnati, Ohio; and the third near Toledo, Ohio. The construction of these plants involves an estimated expenditure of \$75,000,000, and all funds for construction and operation will be supplied by the Government. All the capital stock of the Air Nitrates Corporation, which is nominal, is owned by the American Cyanamid Co. The Air Nitrates Corporation receives a fee for construction and a fee for operating the plants, and in addition the American Cyanamid Co. receives a fee as royalty for the use of its patents.

The net sales for the fiscal year have amounted to \$6,194,688.15, as compared with the corresponding total of \$2,705,053.08 for the preceding fiscal year. Your company has in hand as of June 30, 1918, contracts for delivery prior to June 30, 1919, of various products estimated to have a sales value of \$5,881,547.68.

As usual, the accounts of your company have been audited as of June 30, 1918, and approved by the company's auditors, Messrs. Marwick, Mitchell, Peat & Co.

All of which is respectfully submitted on behalf of the board of directors.

FRANK S. WASHBURN, *President.*

The statements contained in the foregoing report, particularly the reference made to the activities of the Air Nitrates Corporation and the unprecedented increase in the amount of its total sales, are significant only because of the fact that during the greater part of the period covered by said report the American Cyanamid Co. was dealing almost exclusively with the United States Government.

The American Cyanamid Co. in its brief states that: "The Roessler & Hasslacher Chemical Co. extracted enormous profits at the expense of the American cyanide-using industry during the period when it enjoyed such a monopoly as it now seeks to have reestablished by tariff protection." In order that your committee may know that the American Cyanamid Co. does not come into court with clean hands, we beg to call your attention to the prices charged by that company for its calcium cyanamid, per unit of ammonia, during the years 1913 to 1918, inclusive, which were as follows: 1913, \$2.18; 1914, \$2.15; 1915, \$2.06; 1916, \$2.08; 1917, \$2.88; 1918, \$3.21; all f. o. b. Niagara Falls, Ontario, Canada. (Trumbull, Prices of Fertilizer, War Industries Board Bulletin 48 (1919), Statistics from American Cyanamid Co.)

It will be seen from the foregoing figures that the price of calcium cyanamid per unit of ammonia in 1918 was \$1.15 higher than in 1915, an increase of 55 per cent.

We herewith beg to submit for your consideration copy of letter from the secretary of the Nevada Mine Operators' Association, dated December 31, 1921.

RENO, NEV., *December 31, 1921.*

The ROESSLER & HASSLACHER CHEMICAL Co.,
New York City, N. Y.

GENTLEMEN: In reply to your letter of December 27, containing confirmation of your telegram of that date, wherein you reiterate the offer of your company to supply members of the association with cyanide for consumption in 1922, and in further acknowledgment of your night letter of the same date, wherein you state that your quotation of 19 cents is for a minimum consumption of 1,000 tons and that for 400 tons the price will be 20 cents per pound f. o. b. Perth Amboy, I have to inform you that the association must reject your offer.

If but a moderate differential existed between prices quoted by you and other sources of supply, many members of the association would have preferred to continue

use of your cyanide. The long-standing and mutually satisfactory relations that have existed, together with the great purity and standard nature of your product, were factors which received serious consideration. It is even probable that had you allowed your 19-cent quotation to stand for less than 1,000 tons minimum you would have received some business from your former customers.

Your action, together with the much lower prices quoted elsewhere, have precluded further consideration of your tender, so that members of the association now have accepted contracts from another source for their 1922 requirements. Some time next year the association will again request quotations for 1923 consumption. You will then be invited to submit an offer.

Yours, very truly,

HENRY M. RIVES, *Secretary.*

The foregoing letter not only proves conclusively that the cyanide industry in the United States is facing a condition and not a theory, but is a direct contradiction to the charges of unfair treatment by the Roessler & Hasslacher Chemical Co. to the cyanide users in the United States.

That the statement contained in the brief of the American Cyanamid Co. to the effect that it pays substantially more freight per unit of cyanogen than is paid by our company is not in accordance with the facts.

The American Cyanamid Co. has secured special classifications for its product under the name of "crude" cyanide. W. J. Sedgemann's Supplement No. 18, Tariff 16-G., I. C. C. 121, item 3052-A, publishes a rate on "crude" cyanide of 50 cents per 100 pounds, minimum weight 40,000 pounds, from New York to Brownsville, Eagle Pass, and Laredo on traffic for export. The rate on sodium cyanide from New York to these points for export is \$1.64½ per 100 pounds, minimum weight 36,000 pounds, while the rate from Perth Amboy, N. J., to said points is \$1.76½ per 100 pounds, minimum weight of 36,000 pounds.

The Michigan Central Railroad Tariff, G. F. D., 9183-K, I. C. C. 5331, Supplement 21, publishes rates on "crude" cyanide from Niagara Falls, Ontario, to New York, Philadelphia, and Baltimore of 28 cents per 100 pounds; to Chicago, 30 cents per 100 pounds; and to St. Louis, 38½ cents per 100 pounds, minimum weight of 40,000 pounds, on traffic destined to points beyond.

The Pennsylvania Railroad Tariff, G. O., I. C. C. 11607, publishes rates on sodium cyanide from Perth Amboy, N. J., to Philadelphia, 31½ cents, and to Baltimore 49 cents per 100 pounds, minimum weight of 36,000 pounds.

The Agent Ourlatts Tariff, I. C. C. A-55, publishes rates of \$1.05 to Chicago and \$1.23 to St. Louis per 100 pounds, minimum weight of 36,000 pounds, for points beyond.

It will be seen from the foregoing that by reason of the special classifications obtained by the American Cyanamid Co. that it can ship its "crude" cyanide for about one-third the rate per running pound paid by the Roessler & Hasslacher Chemical Co. on its sodium cyanide and substantially less per unit of cyanogen.

The present rate on "crude cyanide" from Niagara Falls, Ontario, to Lead and Deadwood, S. Dak., is \$1.23 per 100 pounds, minimum 50,000 pounds, applying via both the Chicago and Mississippi River combination of rates, while the rate on sodium cyanide from Perth Amboy, N. J., to said points is \$3.15½ per 100 pounds, minimum 36,000 pounds, made up on a St. Paul combination. The American Cyanamid Co. can thus ship its "crude" cyanide to the aforesaid points for about one-third of the rate per running pound paid by the Roessler & Hasslacher Chemical Co. on sodium cyanide and approximately 50 cents less per 100 pounds of cyanogen.

This is not the first time that this patriotic American corporation, the American Cyanamid Co., has appeared before a committee of the Congress of the United States protesting against a duty on a product manufactured by it in its plant in Canada. A brief was filed with the Committee on Ways and Means of the House of Representatives, Sixtieth Congress, by the American Cyanamid Co., requesting that calcium cyanamid and lime nitrogen be placed on the free list. (Pp. 92, 93, 94, and 95, Tariff Hearings before the Committee on Ways and Means of the House of Representatives, 60th Cong., 1908-9, vol. 1.)

We beg to quote from the aforesaid brief as follows:

"The study of the problem (nitrogen fixation) has been in the hands of noted German chemists for 16 years, and only comparatively recently have their efforts been crowned with success. Adolph Frank and Nikodem Caro, of Germany, finally discovered that coke and lime when fused electrically at a very high temperature, after cooling and grinding and raised again to a temperature of about 1,000° C., had a great affinity for nitrogen, and the result of such a process developed the material known as "calcium cyanamid" or lime nitrogen, about 20 per cent of the weight of which is nitrogen.

"The process being electro-chemical requires a great amount of cheap power as well as the raw materials, coke and limestone. An industry, therefore, to successfully make this material and place it in the hands of farmers at a low enough cost to make it profitable for them to use it must be favorably situated with respect to these features.

"The American Cyanamid Co. has been licensed to make this material for distribution to the agricultural interests of the United States, and it is privileged to make it without the borders of the United States. A careful and thorough investigation of the premises discloses the fact that the cheapest power occurred at Niagara Falls on the Canadian side, and that lime, coke, and labor and other features favored such a location above all others. The company is, therefore, planning to erect extensive works at this location, involving an outlay of a large sum of money, which will increase from time to time as the industry develops."

In connection with the foregoing excerpt, the attention of your committee is called to the following statement taken from the "Tariff Information Surveys on the articles in paragraphs 399-402, inclusive, of the tariff act of 1913 and related articles in other paragraphs, revised edition, 1921."

"The cyanamid industry had not been established in this country prior to the entrance of the United States in the war. The cyanamid used by the American fertilizer industry was manufactured in Canada and then imported into this country.

"The Federal Trade Commission's Report on the Fertilizer Industry, August 19, 1916 (which gives statistics up to 1914), states that there are 15 cyanamid plants, with an estimated annual capacity of 333,500 net tons. Four of these plants are located in Germany, three in Italy, two in Switzerland, two in Austria, and one each in Norway, Sweden, Japan, and Canada. In addition to those plants already built factories are projected for India and South Africa, and the English Cyanamid Co. of Great Britain is contemplating the application of 1,000,000 continuous horsepower to the production of cyanamid and its derivatives, 600,000 of which has been secured in Norway and 400,000 in Ireland.

"The most important of the calcium cyanamid works in Europe are the plants at Odda, Norway, and Alby, Sweden, owned by a London corporation, in which English, German, and Italian capital is invested. The estimated capacity of the plant is 220,000 tons annually. Practically all the material produced is exported."

From a careful consideration of the foregoing report in connection with the brief of the American Cyanamid Co. it is reasonable to assume that the cyanamid interests of the world, of which the American Cyanamid Co. is a unit, are very closely affiliated.

The foregoing facts are pertinent to the issue for the reason that the American Cyanamid Co. at its plant in Canada manufactures cyanide from cyanamid. It is fair to assume that the consolidation of the foreign cyanamid interests would carry with it a consolidation of the same interests for the purpose of controlling the cyanide manufactured from cyanamid.

CONCLUSION.

1. If cyanide slats, compounds, and mixtures containing cyanide are allowed to remain on the free list, the manufacture of cyanide must be discontinued in the United States.

2. The American manufacturer of caustic soda will lose the market for approximately 15,000,000 pounds of caustic soda per year.

3. The American producer of ammonia will be obliged to find a new market for upward of 6,000,000 pounds per annum, while the market for over 7,000,000 pounds of American burned charcoal will be lost to its producers.

4. The American industry established under the protection afforded by the Payne-Aldrich Tariff Act, enlarged and increased during the World War to supply all the domestic needs of the United States, will be destroyed. The money invested in this industry will be lost, and the force of men especially trained for the economic production of the highest grade cyanide known to chemistry will be thrown out of employment.

5. Last but not least, the consumers of cyanide in the United States will be entirely dependent upon the foreign producers for their supply of this chemical which has become so necessary in the various industries. The future can best be judged by the history of the past, therefore it is not necessary to be a prophet, or the son of a prophet, to know what will happen to the American consumer of cyanide when the American producer is driven from the market by unrestricted foreign competition.

In order that this essential industry may be preserved, and the thousands of well-served and well-satisfied users of American made cyanide in this country may be saved from the grasp of a foreign monopoly, we respectfully renew our original application

that a new paragraph be inserted in the tariff act immediately following paragraph 30, to read as follows:

"PAR. 31. Cyanide: Potassium cyanide, sodium cyanide, all the cyanide salts and cyanide mixtures, combinations, and compounds containing cyanide, 33½ per centum ad valorem."

ADDITIONAL STATEMENT OF HON. THOMAS STERLING, UNITED STATES SENATOR FROM SOUTH DAKOTA.

HON. PORTER J. McCUMBER,

Chairman Committee on Finance, United States Senate.

MY DEAR SENATOR McCUMBER: In my statement before your committee, when the question of a proposed duty on cyanide was being heard on December 30, 1921, I pointed out that the effect of the proposed duty would be to place the American gold-mining industry at the mercy of a single producer of cyanide—the Roesler & Hasslacher Chemical Co. I placed in the record a letter received by me from Mr. Arthur L. Halvorsen, to the effect that the latter has endeavored without success to purchase cyanide from the Deutsche Gold and Silver Scheide Anstalt. Mr. Halvorsen stated further that this German manufacturer had referred him to the Roesler & Hasslacher Co., and that there existed an agreement whereby the German manufacturer would sell no cyanide for the American market except to Roesler & Hasslacher.

The possibility of a monopoly and the existence of any trade arrangement such as that indicated by Mr. Halvorsen were denied by Mr. P. Samuel Rigney, representing Roesler & Hasslacher, who said that anyone could purchase cyanide from the German Scheide Anstalt for delivery in the United States, and who sought to discredit the specific statements of Mr. Halvorsen by the suggestion that he believed the latter to be a disgruntled ex-employee of Roesler & Hasslacher.

The points in dispute seem to me to be of importance in the consideration of the matter, and, therefore, I desire to submit herewith for the information of your committee certain memoranda and correspondence, consisting of photostatic copies and translations of letters written by the German Scheide Anstalt, the Cassel Cyanide Co. (Ltd.), and others, indicating that there is in effect a trade arrangement protecting Roesler & Hasslacher from competition from the German and also the British manufacturers of cyanide. This evidence makes it clear that, although a few odd lots of European cyanide may have been obtained from time to time by American importers, the agreement by which the German company supports the control of the American market by Roesler & Hasslacher actually exists as charged.

The only effective competition in the American market comes from the American company, which manufactures its cyanide in Canada and whose product would be excluded by the proposed tariff. It is highly important to the gold-mining industry that this competition should continue.

Yours, very truly,

THOMAS STERLING.

The correspondence shows the following:

Under date of December 6, 1920, Mr. I. Miller, European representative of A. Lusskin & Co., importers, of 170 Broadway, New York, wrote from Hamburg, Germany, to the Deutsche Gold and Silver Scheide Anstalt, Frankfurt, seeking to negotiate a contract for monthly supplies of sodium cyanide for customers in America. The Scheide Anstalt replied, under date of December 8, 1920, that they were not in position to make terms with A. Lusskin & Co. for deliveries of cyanide.

Shortly thereafter Mr. Miller placed in the *Chemiker-Zeitung*, a chemical journal published in Germany, an advertisement for cyanide. The *Chemische Fabrik Taucha* (Taucha Chemical Works), responding to the advertisement, wrote under date January 3, 1921, that they were specialists in cyanide and could furnish cyanide to the advertiser. Thereupon, under date of January 12, 1921, Mr. Miller, then temporarily in Paris, wrote *Chemische Fabrik Taucha*, stating his cyanide requirements and disclosing the fact that he desired cyanide for American customers. The only reply which he received to this last letter was a communication, under date January 18, 1921, from the Deutsche Gold and Silver Scheideanstalt stating that they were the sole agents for the Taucha Chemical Works; that Miller's letter of the 12th had been referred to them for disposition, and that they were not in position to make terms with Miller.

Later in the fall of 1921, A. Lusskin & Co., continuing their efforts to secure German cyanide, telegraphed Ludwig Bing, an exporter of Hamburg, Germany. In response, Bing wrote under date October 6, 1921, that the factory manufacturing sodium cyanide

and having exclusive distribution of that commodity sells in the United States only through its own agent. Bing did state further that occasionally small lots of cyanide could be found, but that the profits derived from handling them did not justify the time and effort required.

STREITS HOTEL, HAMBURG,
December 6, 1920.

DEUTSCHE GOLD AND SILBER SCHEIDE ANSTALT,
Frankfurt on the Main.

GENTLEMEN: Please let me know whether I can negotiate a contract with you for 250 tons monthly of sodium cyanide, 120 per cent, for delivery over 1921. We are prepared to purchase this material for our own account to be distributed among three of our customers, one of whom would take 200 tons and the remainder in equal amounts by the two others.

Contracts for this material would be made by ourselves under guarantee or bond to be furnished by the _____ and for the financial and credit standing of the _____

I take pleasure in referring you to the National City Bank, 55 Wall Street, and the Metropolitan Bank, William and John Streets, both of New York.

As you are doubtless aware, prices in the New York market are slightly lower than current prices quoted by dealers in Germany for export and I should be pleased to meet one of your representatives either here or in Frankfurt and go over this situation with him.

Thanking you for your prompt attention to this matter, I beg to remain,

Yours, very truly,

[Translation.]

FRANKFURT A. M., 8 December, 1920.

Mr. I. MILLER, Hamburg, Straits Hotel:

We have your favor of the 6th instant in respect of cyanide, 120 per cent, and regret having to notify you that we are not in position to make terms with you on deliveries of this product.

Respectfully,

DEUTSCHE GOLD UND SILBER SCHEIDEANSTALT, VORM. ROESSLER.¹

[Translation.]

CHEMISCHE FABRIK TAUCHA,
Taucha Bez., Leipzig, 3 January, 1921.

To the VERLAG DER CHEMIKER-ZEITUNG,²
Gothen (Anhalt):

We read your advertisement in No. 156 of Chemiker-Zeitung,¹ and advise you that we are specialists in the manufacturing of cyanide and that you are able to get cyanide from us.

We beg you to let us know what you wish, and sign ourselves,

Respectfully,

CHEMISCHE FABRIK TAUCHA.³

[Translation.]

38 Park Row, New York.

A. LUSSKIN & Co., INDUSTRIAL CHEMICALS.

Address all correspondence: Straits Hotel, Hamburg.

PARIS, 12 January, 1921.

CHEMISCHE FABRIK TAUCHA, Taucha, Biz Leipzig.

I thank you sincerely for your kind answer of the 3d instant to my advertisement under 13 Sh. 693 Chemiker-Zeitung, which answer has been forwarded to me in Paris, where I am at present in my travels.

¹ German Gold and Silver Separating Works, formerly Roessler.

² "Chemists' Paper."

³ "Taucha Chemical Works."

We have close connections with three or four American ore-reducing companies, which companies use now monthly from 100-150 tons of cyanide, 120 per cent. So far these have bought mainly French products, which they have been able to procure at fairly low prices from the manufacturers. We are in position to get all their business in case we are able to meet the former prices.

Our customers are prepared to make contracts under bank guarantees for deliveries to be made during 1921, and in case you believe yourself able to furnish us monthly with about 100 tons at prices somewhat less than 25 marks per kilo (f. o. b. Hamburg), inclusive of packing, inclusive of export duties (or correspondingly less under delivery on warehouse certificate), I shall be glad to make you a positive proposition or to entertain a proposition from you.

Payments will be made upon receipt of bills of lading and attested analyses (analyzing to be done by a competent disinterested commercial chemist) through certified checks on the Dresdner Bank, Hamburg (or other German super banks).

I am ready to furnish you at any time my own bank references, etc.

I expect to remain in Paris until the 25th of January. Then I return to Hamburg. At that time I could come to Leipzig to visit you.

I will appreciate further correspondence from you and sign myself,

Respectfully,

P. S.—Please excuse my writing this letter with pen. I have not got a German typewriter in this hotel.

[Translation.]

In your answer please refer to: Chemikalien-Abtlg. M/G.

Mr. I. MILLER,

From Hamburg, for the time Paris, Hotel Lutetia.

The Chemical Works Taucha (Chemische Fabrik Taucha), for whose production of cyanide we are the sole agents, has sent to us your letter to them of the 12th instant, in respect of this product with request to make disposition. We regret, however, that we are not in position to make any terms with you.

Respectfully,

DEUTSCHE GOLD- UND SILBER-SCHNEIDANSTALT, VORM. ROESSLER.¹

FRANKFURT A. M., 18. I. 21.

HAMBURG 13, den October 6, 21.

Messrs. A. LUSKIN & Co., 170 Broadway, New York.

DEAR SIR: I received your different wires re. Sodacyanid, what I hereby confirm. I am very sorry that it is wholly impossible to get greater quantities of it. The factory which is manufacturing this article (and the distribution is only in their hand) sells in the United States only through its own agent.

In consequence of your inquiries I endeavoured myself more, as you can imagine. Of course, at the fall of the German mark now it is not possible to buy Sodacyanid at the price of 41,50 mk. and therefore I wired you as per copy enclosed.

All my work being in vain to get the article, I gave it up to make further inquiries. However, sometimes you can find a small lot, but there is no balance with the time you spent for the endeavours, and no possibility of earning a benefit.

I regret very much not to make any business in this article with you.

Anticipating your esteemed inquiries and orders for other articles, I remain,

Yours, faithfully,

LUDWIG BING.

The following letter from Henry W. Peabody & Co., of New York, furnishes additional evidence that arrangements have been made between Roessler & Hasslacher Chemical Co. and the continental producers of cyanide looking to the keeping of foreign cyanide out of the American market:

¹ German Gold and Silver Separating Works, formerly Roessler.

NEW YORK, *January 3, 1922.*

AMERICAN CYANAMID Co.,
511 Fifth Avenue, New York City.

GENTLEMEN: In further reference to our various conversations regarding sodium cyanide we will be greatly obliged if you will kindly let us know if you contemplate turning out a high grade of this material; by high grade we mean the material equal to the 96-98 per cent goods manufactured by the Roessler-Hasslacher Chemical Co., having a cyanogen content of 51-52 per cent, with an equivalent potassium cyanide content of 128-130 per cent.

Due to the fact that we have received advices from our suppliers abroad of this material that they fear that in view of certain arrangements which their continental suppliers have made with the Roessler-Hasslacher Chemical Co., that they will be barred from shipping any more of this cyanide to America, we are naturally very much interested in locating a source of supply elsewhere on which we can depend.

We will be greatly obliged if you will advise us if you expect to be in a position to supply us with the above grade of cyanide which we require.

Very truly, yours,

HENRY W. PEABODY & Co.

The following letters constitute the answers received by two American dealers to their application for cyanide of British manufacture.

Statement was made at the hearing before the Senate Committee on Finance on December 30 that the British manufacturer, Cassel Cyanide Co. (Ltd.), had entered into an agreement dividing the world's markets with the German manufacturer, Scheide-Anstalt, and the American producer, Roessler & Hasslacher Chemical Co. This statement was denied by the representative of Roessler & Hasslacher Chemical Co.

The following letters are therefore submitted as documentary evidence of the fact that the British manufacturer will not invade the American market in competition with Roessler & Hasslacher.

These letters are as follows:

Letter dated May 18, 1921, from the Cassel Cyanide Co. (Ltd.), of Glasgow, to Frederic B. Stevens, of Detroit, stating that they are unable to offer cyanide for shipment to the United States.

Letter of Peacock Bros. (Ltd.) of Montreal, Canada, to Messrs. Bell & Gossett, of Chicago, dated November 10, stating that they are referring to their head office a request of the American company for Cassel cyanide.

Letter of Peacock Bros. (Ltd.), on December 9 to the Chicago firm stating that they are advised by their head office that they can not consider business in the United States.

Peacock Bros. (Ltd.) are the Canadian representatives of Cassel Cyanide Co. (Ltd.).

GLASGOW, *May 18, 1921.*

FREDERIC B. STEVENS, Esq., *Detroit, Mich.*

DEAR SIR: We are in receipt of your letter of 3d May, but are unable to offer cyanide for shipment to the States.

Yours, faithfully,

CASSEL CYANIDE Co. (LTD.).

MONTREAL, *November 10, 1921.*

Messrs. BELL & GOSSETT Co.,
117 North Dearborn Street, Chicago, Ill.

DEAR SIR: We beg to acknowledge your letter of 7th instant regarding Cassel cyanide, for which we are obliged, but we are not at liberty to quote you on this material. However, we are referring the matter to our head office in Glasgow, and as soon as we hear from them we will write you further.

Yours, very truly,

PEACOCK BROS. (LTD.).

MONTREAL, December 9, 1921.

Messrs. BELL & GOSSETT Co.,
117 North Dearborn Street, Chicago, Ill.

DEAR SIR: Referring to your letters of 7th and 14th ultimo, regarding Cassel cyanide, we beg to advise that we have taken this matter up with our head office, but they advise us that they are not open to consider business in the United States of America at the present time, and, furthermore, prices which are being quoted by American manufacturers are below what we care to take.

We thank you very much for writing us, and regret that we are unable to go into the matter further.

Yours, very truly,

PEACOCK BROS. (LTD.).

**STATEMENT OF HON. TASKER L. ODDIE, UNITED STATES SENATOR
FROM NEVADA.**

Senator Sterling has made a statement before the Finance Committee in opposition to the proposed tariff on cyanide salts, citing some of the conditions which prevail in the gold-mining industry of South Dakota. However, the conditions which pertain in the State of Nevada, with reference to the consumption of cyanide and the dependence of the gold-mining industry upon its use in the recovery of gold, will make the tariff on cyanide salts a still more severe penalty upon the production of gold in that State. From the practical experience I have gained in the operation of gold mines in my State, I can speak with confidence on this subject.

For example, at one of the largest mines in Nevada—the Tonopah-Belmont—in 1916, before the costs of supplies had increased so greatly, the cyanide consumption was 3.52 pounds per ton of ore, costing \$0.601. The cyanide cost in this case is 28 per cent of the total milling cost. All supplies purchased by the mill cost \$1.318 per ton, including cyanide of \$0.601. In other words, the cost of the cyanide represents nearly half of the cost of all the supplies purchased by this large mill.

At the Churchill Milling Co. of Nevada it was reported in 1916 that the cyanide cost was \$0.375 per ton, while all of the supplies consumed in the milling of the ore cost \$1.445. The cost of cyanide, therefore, represented approximately 25 per cent of the total cost of all supplies. The total labor of all kinds in this mill cost \$0.857. The cost of cyanide represents 43 per cent of the total labor cost.

With the increased cost of cyanide which has taken place since that time, the cost of cyanide extraction has also been greatly increased. The fact that the gold production of Nevada and Colorado declined more rapidly during this period of increasing costs than elsewhere in the United States is evidence of the serious effect of the increased cost of cyanide upon the production of gold from the ores in these States, which is so largely dependent upon the cyanide process for its recovery.

In many of the properties of the United States the cyanide process is used to recover only a small percentage of the values contained in the ore. Many gold ores yield their major values in the process of amalgamation. This is true of the Homestake Mining Co., whose brief has been filed.

The investments that have been made in the last 20 years in the gold-mining industry, however, have been based upon these additional values which are recovered by the cyanide process. In many cases the tailings which are treated by the cyanide process are extremely low grade, running as low as 80 cents to the ton, and yet the recovery of such small amounts is essential to the profitable operation of many of our important mines. In such cases the increased cost of cyanide, resulting from the imposition of a duty, may force the abandonment of the cyanide process, which will compel the shutting down of the entire operation.

The gold-mining industry is now passing through the most serious crisis with which it has been confronted in the history of the Nation. Some mines are being operated at a loss in order to save their ore reserves from caving by allowing them to fill up with water in the event that they should shut down, and to save the expense of reopening at a later date, when costs have returned to normal. In other mines the costs of operating balance the income from the sale of the product.

The United States Geological Survey in the Mineral Resources of the United States in 1920 makes the following comment with reference to the condition of the gold-mining industry: "Gold mining continued in a greatly depressed condition, and the value of the country's output decreased to less than \$50,000,000. Less than half of the gold mines of the country were active and some of the large mines were closed permanently."

The President's conference on unemployment, through its committee on emergency measures and mining, recommended on October 13, 1921, as follows: "Gold mining suffers from the excessive cost of supplies and other items, and the value of the gold output being fixed as against material advances in cost has operated to restrict the employment of labor in gold mines."

There is no way that the gold producer can pass this proposed duty to the consumer of gold, and, therefore, it becomes a direct burden upon the cost of production, which the industry is not now prepared to sustain, and which will further delay the reopening of many properties which have been forced to shut down during this period of high costs.

I shall appreciate your calling the committee's attention to these facts in opposition to a tariff on cyanide salts when the matter is taken up for consideration.

SUPPLEMENTAL STATEMENT.

My attention has been called to the supplemental brief submitted to the Committee on Finance by the Roessler & Hasslacher Chemical Co. in support of a duty on cyanide salts. There are certain statements in the brief to which I would like to call particular attention, as follows:

"The experience of the United States Government in its attempts to manufacture cyanide under the Bucher process at Saltville, Va., is proof positive of the fact that the construction and operation of a plant for the satisfactory production of cyanide is no small task and can not be accomplished within a short time. The United States Government spent several million dollars in the construction and operation of the Saltville plant, and up to the close of the war had never turned out cyanide in commercial quantities."

Regardless of the status of patent rights, this statement made by the Roessler & Hasslacher Co. with reference to the difficulties of the United States Government in manufacturing cyanide in its own behalf would indicate the difficulties with which a competitor would meet in attempting to establish a plant to manufacture cyanide in competition with the monopoly which now exists.

In the testimony before the Finance Committee Mr. Rigney, representing the Roessler & Hasslacher Co., stated that there was no reason why anybody could not purchase cyanide directly from the German syndicate. The following testimony from pages 4745-4746, part 54, Hearing before the Committee on Finance on H. R. 7456, sets forth fully Mr. Rigney's statement:

"Senator JONES. We have had the statement made here, as I understand it, that the German interests will not sell cyanide to anybody in the United States except your concern.

"Mr. RIGNEY. I think that is purely imagination, because I can give you a list of men they are offering cyanide in the market to-day. We are buying cyanide to hold our customers, because we can have it delivered at the port of New York at 6 cents cheaper than we can make it.

"Senator McCUMBER. Can they get it from the particular companies you get yours from?

"Mr. RIGNEY. I know of no reason; in fact, I can say truthfully that they can."

The Roessler & Hasslacher Co. in their supplemental brief contradicted the above statement made by Mr. Rigney before the committee and admit that their company is the sole agent for the German syndicate, both in the United States and Mexico. The following is a quotation from the brief:

"The letter of Mr. Arthur L. Halvorsen, dated December 27, 1921, and filed with your committee by Senator Sterling, representing the Homestake Mining Co., does not warrant extended comment. Mr. Halvorsen is a young man who was employed in our manufacturing plant for a number of years. He left us of his own volition and has since tried to reenter our employ. It is probably a fact, as stated by him, that the Deutsche Gold & Silver Scheide Anstalt refused to sell him cyanide, as our company is at present the selling agent for said German company in the United States and Mexico."

I have already emphasized in my previous statement the deplorable condition of the gold-mining industry at this time and its inability to absorb or to pass along the proposed tariff on cyanide salts, and I trust these further comments will be carefully considered by the committee.

RICE.

[Paragraph 1643.]

STATEMENT OF E. A. EIGNUS, REPRESENTING THE PACIFIC RICE GROWERS' ASSOCIATION OF CALIFORNIA AND THE AMERICAN RICE GROWERS' ASSOCIATION OF LOUISIANA, TEXAS, AND ARKANSAS.

Mr. EIGNUS. I am a rice farmer and I represent the Pacific Rice Growers' Association of California, with home offices at Sacramento, Calif., and the American Rice Growers' Association of the South, with headquarters at Lake Charles, La.

We desire to file a brief with the committee, protesting against paragraph 1643 of the tariff bill.

Paragraph 1643 is in reality an amendment to or a qualification of paragraph 728, which contains the rice schedule.

Paragraph 1643 provides that it shall be cleaned rice and that it shall be imported into this country duty free so long as it is for use in the manufacture of canned foods.

It is as to this particular paragraph that I desire to address you very briefly this morning.

We believe that unless the provisions contained in paragraph 1643 are eliminated from the bill in its final form that it will inevitably lead to the destruction of the rice industry, because it provides free rice, and it will result in competition with the oriental rices produced by pauper labor. It will lead to much larger importations of these rices, and the American farmer has no chance of successful competition with these rices in the market.

Senator McCUMBER. This relates only to this cleaned rice for use in the manufacture of canned foods. I think we have been informed at previous hearings by those who are engaged in the canned food business that it is a mere bagatelle, so far as the rice crop is concerned, and that it was only a certain kind of rice that was not in competition.

Mr. EIGNUS. I would like to touch upon that very point, Mr. Chairman.

Late in January the Ways and Means Committee of the House held hearings on rice. At that time a committee representing rice growers appeared and presented a brief and testimony in support of a protective tariff on rice. I am informed they were advised that it would not be the policy of the Ways and Means Committee to incorporate in the present bill higher tariffs on agricultural products than obtained under the Payne-Aldrich bill.

Our committee was not requesting a restoration of the old Payne-Aldrich rate, with the exception of the tariff on brewers' rice, which they did request be increased from one-quarter to one-half cent per pound.

Prior to the hearing of the committee, Mr. Hall, of the Campbell Co., representing manufacturers of canned soup, appeared before the committee and protested, arguing against the proposed tariff of 2 cents, and asked that it be not applied to a certain kind of oriental rice known as Patna rice. He stated that experiments made by the company had demonstrated that that particular kind of rice was absolutely necessary in the manufacture of their product and that no other rice would take its place.

Patna rice is produced in the Province of Bengal, in British India. When our committee was before the Committee on Ways and Means of the House they were asked whether or not we did produce in this country rice that would be suitable for this purpose and similar in composition and type to the Patna rice. They made the statement that we did, and I think mentioned the names of certain varieties of rice that are produced in this country that are similar to that in texture, form, and type; that is, similar to the Patna rice.

Senator McCUMBER. What amount of that kind of rice—the Patna rice—is imported for the particular purpose of using it in the canning of foods and fruits?

Mr. EIGNUS. Unfortunately, Mr. Chairman, there are no statistics available on that, because Patna rice comes in only as rice imported from British India. It is impossible to get definite statistics as to the exact quantity.

Senator McCUMBER. What is the law now with reference to this particular rice used for this purpose?

Mr. EIGNUS. Until the passage of the emergency tariff bill, Mr. Chairman, there had never in the past been any distinction made; in other words, there had been no reduction in the tariff on rice for use in the manufacture of the canned goods. The bill, in fact, as it was presented by the Ways and Means Committee to the House of Representatives, did not contain this provision. This provision was embodied in the bill through an amendment introduced by Mr. Bachrach, and through this amendment, as you will discover by reading paragraph 1643, cleaned rice for use in the manufacture of canned foods shall be admitted free.

Mr. Hall, representing the soup people, when he was before the Ways and Means Committee, requested only that the proposed tariff of 2 cents on cleaned rice be reduced to 1 cent per pound, as it applied to Patna rice. When the amendment was introduced and passed it was much broader in form and more sweeping, as it included all types of rice for use in connection with canned goods.

Senator McCUMBER. I assume that some one, either in the canning business or some other business, would know the character of the rice that is used in canned foods.

Mr. EIGNUS. I will touch upon that, if I may, by reference to the testimony of Mr. Hall.

Mr. Hall, when he was before the Ways and Means Committee, was asked first as to the amount of rice they used in the manufacture of their soups. Mr. Hall stated, first of all, that most of their soups were packed in what they term their No. 1 can, but he did not know the net weight of the contents of the cans, nor did he know the amount of rice entering into each can. He did say, however, in reply to interrogations on the part of members of the committee that the annual requirements of his company were about 800,000 pounds of rice. Eight hundred thousand pounds of rice, as we speak of rice in the South, is equivalent to 8,000 bags or pockets of 100 pounds each.

Mr. Hall further stated that the maximum capacity of the factory was between two and one-half and three million cans per day.

The Ways and Means Committee evidently were trying to arrive at the amount of rice used in each can. He could not answer. He

did say that the maximum capacity of the plants was from two and a half to three million cans per day.

If we are to assume that their average daily output, instead of being two and a half or three million cans, is two million, and that their operations extend over a period of 300 days, that would mean an annual output of 600,000,000 cans of soup. If we were to distribute these 8,000 bags or pockets of rice into 600,000,000 cans of soup, it would indicate, of course, that only 1 pound of rice was used for every 75 cans, which, of course, would mean that the reduction that Mr. Hall requested in the tariff from 2 cents to 1 cent would be an increase in the cost of these soups of one seventy-fifth of a cent per can. I am told that this soup is packed 3 dozen cans to the case. That would indicate, then, that the increased cost per case, which would be the wholesale unit, would be less than one-half of a cent per case, which would dissipate the argument that the proposed tariff of 2 cents per pound in lieu of the 1 cent per pound tariff requested by Mr. Hall would increase the cost of a can of soup.

The chairman spoke a moment ago of the use of rice in connection with fruits. Rice, of course, is not used in that connection.

I think that the language in the amendment which is embodied in this paragraph—1643—contains the phrase "canned foods." To our minds that is an extremely dangerous phrase, because we believe that the introduction of this paragraph into this bill is tantamount to opening the door wide to all varieties of rice to be used in the manufacture of canned foods.

While it has been demonstrated by the example that I have given you that a very small quantity is used in each can, yet under the provisions of this act rice could be imported into this country duty free under the pretext that it is to be used in the manufacture of other foods.

Senator McCUMBER. Is it used in anything but these canned soups?

Mr. EIGNUS. Yes; it is. It is processed in a great many different ways. For instance, it is packed with shrimp; it is used in breakfast cereals; it is used in connection with pancakes. One of the largest processors in the United States uses this type of rice for the purpose of making what is known as "puffed rice."

Senator McCUMBER. Those are not this kind?

Senator SMOOT. Those are provided for.

Senator McCUMBER. Is it used in any other canned goods than soups?

Mr. EIGNUS. I do not know.

Senator McCUMBER. Of course, it is used in a great many things.

Mr. EIGNUS. I want to emphasize this point, if I may. When we think of canned goods, we naturally refer to tomatoes packed in cans, or peaches put up in glass containers. The trade is coming to know of certain kinds of fiber containers as cans. In fact, the Patent Office has officially designated fiber containers as cans, and in view of the fact that the Patent Office has so designated them, the manufacturers who process rice, including those processes I have just alluded to as breakfast cereals and pancake flours, could naturally claim that they come within the meaning of paragraph 1643 and that their foods are canned foods.

Senator SMOOT. Do you mean to say that they could put up the rice, this kind of cleaned rice, in this type of container and that it would come in free under paragraph 1643?

Mr. EIGNUS. The phrase "canned foods," Senator, is pretty broad sweeping. I can see no reason why rice that is processed in the South, sterilized, and partly cooked—

Senator SMOOT (interposing). If we were to say "used in connection with the manufacture of canned goods," would that be better?

Mr. EIGNUS. I think that would broaden the meaning, would it not, Senator?

Senator SMOOT. You could not then put a package of rice in any kind of a container and have it come in free. It would be only rice used in connection with manufactured foods.

Mr. EIGNUS. That is true. I might say, in that connection, if I may, that the tendency of the retail grocers is more and more toward the "Piggly Wiggly" idea. Because of the fact, more staple foods are being packed in different cans and containers. It is quite natural to assume, inasmuch as the rice industry is young from that point of view, that more will be packed in that form in the future.

Senator SMOOT. If it is worded as I suggested, they could not do that. That would overcome your theory that that might come in as free rice. That would be a corrective measure.

Senator McCUMBER. No fair construction of the law would include pancake flour.

Senator CALDER. What language would you propose?

Mr. EIGNUS. I would propose simply that the provision contained in paragraph 1643 be stricken from the bill. We can not see, as producers, why a manufacturer of soup in a large kettle should be shown preference over the housewife who makes it in a small one. We feel that it is an extremely dangerous precedent.

Senator McCUMBER. I have been laboring under the impression that the real purpose of this provision was to secure a certain kind of rice that could not be secured in the United States, and that it was used in the canning of many other articles outside of soups.

Mr. EIGNUS. I think, Mr. Chairman, if you will permit me—

Senator McCUMBER (interposing). I would like to know whether my impression is erroneous.

Mr. EIGNUS. I think your impression is erroneous, because I think the purpose of the paragraph was to provide only for the manufacturers of soups. No one else has appeared requesting such a reduction, and I know of no other use to which the rice could be put.

Senator McCUMBER. If I am not mistaken, Senator Fernald, who is in the canning business, and who has nothing to do with the canning of soups, favored this proposition and urged it upon a ground that had nothing to do with the canned-soup industry, so that I assumed from that alone, if from nothing else, that it was used somewhat extensively in the canning of other goods, and that was the real purpose.

Mr. EIGNUS. I know of no other production in which it is used in a large way. We feel that the language is so broad and sweeping in this amendment that it would tend to open the doors wide to all types of oriental rice. Certainly they could come in under this provision.

Senator McCUMBER. If there is that danger, it will be corrected.

Senator SMOOT. Did I understand you to say that paddy rice is not grown in the United States?

Mr. EIGNUS. No, Senator. There is some confusion with reference to that. That is a rough rice. I have been speaking of Patna rice. One is paddy and the other is Patna. There is considerable confusion.

Senator McCUMBER. Your time is up. If there is a brief that you would like to file in connection with your statement, it may be made a part of your testimony.

Mr. EIGNUS. Yes, Mr. Chairman; I would like to file a brief.

BRIEF OF E. A. EIGNUS, REPRESENTING THE PACIFIC RICE GROWERS' ASSOCIATION OF CALIFORNIA AND THE AMERICAN RICE GROWERS' ASSOCIATION OF LOUISIANA, TEXAS, AND ARKANSAS.

The Pacific Rice Growers' Association of California and the American Rice Growers' Association of Louisiana, Texas, and Arkansas, on behalf of the rice farmers of the United States, beg to respectfully submit for the consideration of your honorable committee this their brief in support of their objections to paragraph 1643 of the tariff bill (H. R. 7456), whereby cleaned rice for use in the manufacture of canned foods is placed upon the free list. We sincerely believe that unless such provision is eliminated from the bill in its final form that the entire American rice industry is in real danger of destruction from resultant competition of oriental rices produced by coolie labor against which the American rice farmer has no chance of competition in the markets.

STATEMENT OF FACTS.

On January 24, 1921, the Committee on Ways and Means of the House of Representatives held a hearing to consider the rice schedule of the tariff bill, at which time a committee representing the Rice Growers' Association presented a brief and oral testimony in support of their contention for a protective tariff on rice. A few days before this hearing Mr. H. F. Hall, representing the Joseph Campbell Co., manufacturers of canned soups, appeared before the committee and asked that the proposed tariff of 2 cents a pound on cleaned rice be not applied to an oriental variety known as Patna rice. He stated that a series of experiments had demonstrated to his company that Patna rice was best adapted to their use, and requested that a tariff of only 1 cent per pound be placed on Patna rice. (See Tariff Information, 1921, Part III, p. 1714.)

Samples of soups in glass containers were displayed, and it was represented to the committee that our American rices were not suitable for canning, for the reason that the grains of American rice when cooked would not stand out separately or individually, but would coalesce together.

We refer you to page 1725 of Tariff Information, Part III, covering the hearing of January 24, 1921, from which you will note that the committee representing the Rice Growers' Association made it very clear that American rices of certain varieties were just as suitable as Patna for the manufacture of canned soups, if the American rice was carefully selected and properly cooked.

On page 1725 the question was asked the committee whether Patna rice could be grown in Louisiana. The question was answered, but there was a rapid fire of questions and answers and the stenographer did not get the entire reply to the question. The statement was made to the Ways and Means Committee that we produce in the South several varieties of rice of the Patna type with long, hard, slender grains.

ARGUMENT.

It is a matter of fact that Patna rice, which is grown in the Province of Bengal, British India, is usually from 1 to 3 years old before it is imported to the United States and is, therefore, well seasoned and contains less moisture than new crop American rice offered on the market during the fall and winter months, but there is always available old crop American rice that is just as hard, and with no greater moisture content than the Patna.

As a result of over 5,000 recent tests of rices inspected by the Rice Millers' Association it has been proved that the moisture content of American rices is less than 1 per cent more than oriental rices as imported.

The claim, therefore, of the soup manufacturer is not based on facts, since rice used in the manufacture of soup will, in the process of manufacture, have considerable moisture added to it.

The testimony of Mr. Hall, the representative of the soup manufacturer, before the Ways and Means Committee was calculated to prove that to increase the tariff from 1 to 2 cents per pound on rice would mitigate against his company's desire to reduce the retail price of their soups. In reply to questions propounded by the committee as to the amount of rice contained in their No. 1 cans he stated that he did not know the net weight of the can nor the weight of the rice in each can. He did state, however, in reply to further interrogations that their annual requirements were about 800,000 pounds of rice and that their maximum output, during good business conditions, was from two and a half to three million cans per day. Assuming their average daily output to be only 2,000,000 cans per day and that their operations covered 300 days per year would indicate an annual output of 600,000,000 cans. It would appear then that one pound of rice is used for every 75 cans of soup. Increasing the tariff 1 cent per pound would, therefore, actually increase the cost only one seventy-fifth of 1 cent or three-quarters of a mill per can. As one case of this soup contains three dozen cans the reduction they requested in the tariff would increase the wholesale price less than one-half cent per case.

The argument of the manufacturer that such a reduction in the tariff would affect the retail price of a can, or even a case, of soup should require no further refutation.

If Patna rice is admitted duty free, it is true the additional profit on each can of soup would be infinitesimal, due to the small quantity of rice used. The result of thus admitting rice free could not affect the price per can, but would favor the manufacturers to the extent of 2 cents on each of the 800,000 pounds of rice used annually by them, amounting to \$16,000.

From the standpoint of revenue to the Government or from a competitive standpoint the very small quantity of Patna rice imported for the manufacture of soups would amount to very little, but under the amendment the door would be opened wide to all varieties of foreign rice under the pretext that it was for use in the manufacture of canned foods. While it is true that a can of soup contains a very small quantity of rice, it would be used in other forms of canned foods containing a much larger percentage of rice. In this way large quantities of oriental rice could be imported into this country free of duty to be sold in competition with American rices, grown under entirely different conditions. This would be the opening wedge toward destroying the American rice industry as the quantities of oriental rice increased from year to year.

As the trend in the retailing of groceries is toward the self-serve system, it is inevitable that more staple foods will be packed in convenient containers in the future, and as the American rice industry is comparatively young so far as volume is concerned, it is to be expected that a greater variety of foods containing rice will be developed by Americans who are interested in developing the possibilities of rice. Many American firms are now packing and processing rice in different forms and will feel that they are being discriminated against unless they are shown the same preferential treatment in tariff regulations that is being sought by the canners of Campbell's soups.

The phrase "canned foods" would prove a difficult one to define. Certain breakfast cereals and pancake flours are composed in whole or part of processed rice, and, like Puffed Rice, which is now made exclusively from American rice, are packed in paper or fiber cans or containers. The United States Patent Office has issued patents on cylindrical cans to be made of fiber. In substantiation of this statement we desire to call the attention of the committee to No. 1166168, under which the United States Patent Office on December 28, 1915, issued a patent to Paul I. Andrews, of Kennebunk, Me., for a "cylindrical can of fiber."

In view of the fact that the Patent Office has thus officially designated certain fiber containers as cans, could not a manufacturer packing any kind of processed rice rightfully claim that his product was a canned food within the meaning of paragraph 1643?

In support of this statement we have before us a copy of a letter under date of July 27 from one of the largest distributors of rice in packages, cans, or cartons in the United States, addressed to Hon. Morris Sheppard, United States Senator from Texas, which we quote:

"We understand that at the suggestion of one of the leading soup manufacturers, * * * Company, of * * *, clean rice imported for the purpose of manufacture of canned goods has been put on the free list.

"This was done on the representation that domestic rice was unfit for canned soups.

"We feel that this is a discrimination against American grown rice and that the proposal is objectionable in every way, and we trust we may count on you to oppose it. "However, if the * * * company is to be allowed free rice for canning, we believe that we should be allowed free rice for package carton rice, which is as much a manufactured product as canned rice."

It is a well-known fact that the very finest rices in the world are grown in this country. Several varieties similar in type to Patna are grown here and are sold under the trade names of Honduras, Edith, and Carolina.

There is no reason why any variety of foreign rice should be put on the free list simply because some manufacturer prefers a certain variety of oriental rice to the domestic article.

The rice growers of the United States are unwilling to believe that our National Congress will be willing, because of the desire of one particular interest, which happens to prefer a particular variety of oriental rice, and which in the manufacture of its canned soups uses less than one-tenth of 1 per cent of the American production, to thus create the possibility of nullifying the benefit accruing from a tariff on foreign rices so essential to the salvation of the American rice industry.

The rice growers are further unwilling to believe that our National Congress will favor any special interests by the enactment of laws that could be construed as class legislation and that would enable such interests to make larger profits in the use of an infinitesimal quantity of rice for soup-canning purposes, by permitting the importation, duty free, of oriental, coolie produced rice, and thus jeopardize the American rice industry, in which thousands of our farmers are earning their livelihood and in which millions of dollars are invested.

The rice growers of the United States received for their last crop many millions of dollars less than production cost. It will take, under the most favorable crop and market conditions, several years for them to recover from the disastrous results of the season just ending.

They are entitled to receive the fullest measure of encouragement, and absolute protection from the possibility of competition from oriental rices produced by coolie labor, at a cost impossible under American living standards.

KID LEATHER.

[Paragraph 1653.]

STATEMENT OF LAIRD H. SIMONS, NEW YORK CITY, REPRESENTING KID LEATHER TANNERS OF THE UNITED STATES.

Senator Smoot. What paragraph are you interested in?

Mr. SIMONS. I am interested in two paragraphs, 1653 and 1431; 1653 first.

What I have to say to you gentlemen is referring to kid leather only and made from goat, kid, and kangaroo skins only.

Speaking for the kid leather tanning trade, meaning the tanners of goat, kid, and kangaroo skins for shoe-leather purposes, composed of about 60 independent, competitive firms, having 8,000 to 10,000 employees, we ask that our class of raw materials (more than 99 per cent of which is imported)—

First. Be retained on the free list, as it has always been.

Second. That it be covered in a separate, distinct paragraph in Schedule No. 15, free list, which we suggest might read:

Skins of goat, kid, and kangaroo, raw or uncured, or dried, salted, or pickled.

This would effectually separate this raw material from calfskins and sheepskins and various other skins with which they are grouped under paragraph 1653 of Schedule No. 15, free list, reading:

Skins of all kinds, raw, and hides not specially provided for.

In support of this plea, we beg to submit for your consideration:

First, that all arguments made in favor of the retention of hides and skins on the free list as provided in paragraphs 1582 and 1653, apply equally to goat, kid, and kangaroo skins.

Second, no industry or interest in the United States would be benefited by removing goat, kid, and kangaroo skins from the free list.

The world's principal supply of raw goat and kid skins is drawn from countries which are dependent, or largely so, for their meat or milk supply, or both, on goat herds, and which countries are principally tropical or semitropical.

This is not the case in the United States, for goats are raised here principally for the hair. Such skins when tanned result in the production of an inferior quality of leather, for nature does not produce on the same animal both valuable hair and valuable skin.

The American supply is insignificant. The average annual slaughter of goats and kids in the United States for the five-year period from 1915 to 1919 was 420,000, as compared with the average annual importation for the years 1915 to 1920 of 53,046,000 skins, showing the domestic supply to be less than 1 per cent.

Kangaroo skins are 100 per cent imported: When tanned into leather they compete principally with kid leather made from imported goat skins.

Prior to about 1889 the kid-leather trade in the United States was of insignificant proportions, the American market being dominated by French kid, which sold at prices varying from 50 cents to \$1.50 per foot. With the advent of the American chrome (mineral) tannage process in 1889, and the wise fostering power of the McKinley, Wilson, Dingley, and Payne-Aldrich Acts, which assured not only free imported raw materials but a protected home market, the price to the American consumer for American-tanned kid was reduced to less than one-third of the former cost of French kid, meaning that it sold at prices averaging about 20 cents per foot for grades varying from 10 cents per foot for the lowest to 35 cents per foot for the very best, and in international trade securing for tanning about two-thirds of the world's production of raw material.

The Underwood bill continued the policy of free raw material, but withdrew the protection for finished leather. The few months' operation of this bill prior to the outbreak of the war demonstrated the power of the German and French tanners to compete in the American market.

Under the stimulus of the war needs for leather and the interruptions of trading facilities the world factory capacity for the tannage of kid leathers has been greatly increased. This is especially true of England, Canada, and Germany, with new factories started in Holland, Spain, Brazil, Chile, Argentina, and Japan. The American factory capacity was almost doubled.

Under these conditions, not only is free raw material essential, as provided in Schedule 15, paragraph 1653, but kid leather made from goat, kid, and kangaroo skins, now covered under Schedule 15, Free List, paragraph 1600, reading: "Leather: All leather not specially provided for, etc.," should, we submit, be specially provided for—

First. To enable us to maintain minimum costs for kid leathers, through American factory capacity production, and

Second. To maintain American standards of wages.

To this end we submit that Schedule 14, paragraph 1431, which reads—

Chamois skins, pianoforte, pianoforte action, player-piano action leather, enameled upholstery leather, and glove leather, finished, in the white or in the crust, 20 per centum ad valorem.

should be amended to include kid leather made from goat, kid, and kangaroo skins.

We beg to submit for your consideration the subtle effort to divert the kid-leather business from American to British firms contained in the Indian export duties which went into effect September 11, 1919, the principal features of which are a 15 per cent export duty on raw hides and skins, with a preferential rebate of two-thirds on exports to other parts of the Empire. India produces about 40 per cent of the world's supply of raw goat and kid skins.

We beg to heartily indorse section No. 402 (value), which we understand to provide for the assessment of all duties upon American valuation.

We also beg to heartily indorse section No. 302, which we understand could be made to meet in future, should occasion demand, a condition which does not now exist as related to our trade under the present Underwood bill.

France, Germany, and Canada, our principal competitors, impose heavy import duties upon leather of American manufacture, but are enabled to send their own production to the United States free.

Senator McCUMBER. Thank you.

NEWSPRINT PAPER.

[Paragraph 1650.]

STATEMENT OF W. E. HASKELL, CHAIRMAN EXECUTIVE COMMITTEE NEWSPRINT MANUFACTURERS OF THE UNITED STATES, NEW YORK CITY.

Mr. HASKELL. My name is William E. Haskell; residence, New York City; vice president of the International Paper Co.

Mr. Chairman, I represent 80 per cent of the newsprint industry in the United States; in fact, all the manufacturers of the United States, with the exception of the four newspaper companies who own their own paper mills, the Great Northern Paper Co., the St. Croix Paper Co., and the Pejepscot Paper Co., which represents more than 80 per cent in the production in the country.

I have been requested, however, to file a brief from the Great Northern Paper Co., which is in behalf of themselves and of the St. Croix Paper Co., which I will do with the secretary of the committee later.

In my remarks I will make as brief a statement as possible, to be followed by a brief argument.

Newsprint paper has been on the free list since the passage of the Underwood tariff bill in 1913, the only grade of paper which has been stripped of every vestige of protection.

The industry has been forced to abandon its natural growth and compete, defenseless, with the lower-cost production of Canadian mills, which sell over 80 per cent of their product in this market and for the past few years have enjoyed the additional benefit of the ex-

change, amounting to a substantial bonus above the profitable selling price.

By reason of depreciated currency and an unnatural and debased rate of exchange and a wage scale only a fraction of that in the United States the newsprint manufacturers of Finland, Norway, Sweden, and Germany are selling their paper in increasing quantities in this country at prices much below the actual manufacturing cost in American mills. In the case of Germany, with the largest available export production, added advantages have been afforded the manufacturers by direct and indirect Government subvention.

The newsprint manufacturers of the United States ask a provision in the new tariff law that will protect them from competition that is both demoralizing and ruinous to their industry. The form and character of the protection sought is left to the wisdom and special knowledge of the Finance Committee.

The tariff history of the newsprint industry of the United States is an eloquent record of the growth of the power of the press.

Granting ample protection to the industry when it was not needed, Congress gradually yielded to the clamors of the paid agents of the publishers until finally even the small Wilson tariff and that of the Payne-Aldrich law were abolished and the industry abandoned to drift in the ebb and flow of the international competitive tide.

The newsprint industry of the United States, which in 1880 produced only about 78,000 tons of newsprint, threw off its swaddling clothes during the succeeding 80's, on the general use of wood for the manufacture of pulp, and grew lustily.

The act of March 3, 1883, before the real growth of the industry had begun, levied a tariff of 15 per cent ad valorem on unsized newsprint and 20 per cent on sized or glued newsprint. In 1890, when the production, more than doubled, had increased to 196,000 tons, the McKinley law, passed October 1 of that year, maintained the same degree of protection. Even the Wilson-Gorman law of the Democratic administration of 1894, when production had increased to about 300,000 tons a year, preserved the 15 per cent ad valorem duty on all unsized newsprint, although it abolished the 20 per cent ad valorem duty on sized or glued. The Dingley law, passed July 24, 1897, when production had grown to about 413,000 tons per annum, fixed a specific duty of \$0.003 a pound, or \$6 a ton, on newsprint valued at not above 2 cents per pound. This was a graduated tariff and increased up to \$0.008 a pound, or \$16 a ton, on paper valued not above 5 cents per pound. A duty of 15 per cent ad valorem was levied on all paper valued above 5 cents a pound.

As the manufacture of newsprint from wood developed, the price was reduced to an average level of 2 cents a pound in the early nineties, and the press of the country reacted immediately to this low cost of its raw material. The large Sunday paper came into being, and the intense competition among publishers for circulation finally resulted in the 1-cent daily paper, a vital economic error as the price was less than the average cost of the paper used to which there were but few exceptions in any of the large cities of the country until the paper market felt the effects of the World War. This meant, of course, a greatly augmented consumption of newsprint, which, with a growing population, had increased from 3.1 pounds per capita in

1880, to 6.2 pounds in 1890, 14.9 pounds in 1900, 21.7 pounds in 1905, and 28.8 pounds in 1910. Not satisfied with as low a price as 2 cents a pound, the publishers in their eager contest for more circulation at the lowest possible cost, had forced the price of paper in some instances to as low as 1.6 cents a pound, and several large contracts were executed for five-year terms at a price of 1½ cents a pound. Still unsatisfied, they concentrated their influence against the small protective tariff of \$6 a ton of the Dingley law, on the theory that they could still get lower prices if this protection were removed or modified, and succeeded in having this item reduced to \$3.75 a ton in the Payne-Aldrich law of 1909, although the evidence presented at the hearings of the Senate committee and later confirmed by findings of the Tariff Board, proved that there was a difference of \$5.35 a ton in cost in favor of the Canadian manufacturer. This brings us to 1910, a fateful year to the newsprint industry of the United States.

In 1910 Quebec passed an order in council prohibiting the export of pulp wood from Crown lands, thus cutting off an important and necessary supply of raw material, the property rights to which were established by statute and which had been acquired by United States manufacturers at great expense and exercised without interference for more than 20 years. This is mentioned here as one of the factors responsible for the condition in which the newsprint industry soon found itself. The full story of the injustice is in the record of the hearings on the Underwood resolution.

In 1911 the reciprocity bill became law, only to be repudiated by Canada, with the result that our law was inoperative, except for section 2, which provided for the free entry of Canadian newsprint into the United States under certain conditions.

In 1913 the Underwood tariff law was enacted, which placed newsprint on the free list.

Thus the arbitrary legislation of Quebec and the deliberate enactment of the Congress of the United States robbed the newsprint industry of its reserve supply of pulp wood and of all tariff protection against lower-cost competition.

The Canadians legislated, according to their lights, in the interests of their own people and their own industry. The Congress of the United States could not have passed a law more harmful to one of the leading industries of our country or more helpful to the competing industry in Canada had its Members represented provincial boroughs of the Dominion instead of congressional districts of the United States.

The combined effect of this legislation, almost concertedly enacted on both sides of the international boundary, was immediate and disastrous. At the beginning of 1910 United States newsprint manufacturers virtually supplied the entire demand of the consumers of the United States. As the demand grew, they had raised more capital for their hazardous enterprise and increased capacity to meet it.

From 1890, when they manufactured 196,000 tons, to 1910 annual production had been increased to 1,278,000 tons, and capital and new construction had been provided to take care of growing consumption, which during the same period had increased from 6.2 pounds per

capita a year to 28.8 pounds annually per capita of a much larger population.

Our manufacturers felt that the tremendous cost of the expansion of the industry to meet demand was justified even in the face of the relentless fight of the publishers for a price level that would not yield a living profit, and, in spite of the decreased protection of the Payne-Aldrich law of 1909, courageously and optimistically were making their plans for the further development that might be demanded by the future needs of the country.

But the newsprint industry was not resilient enough to recover from the successive shocks it received in 1910, 1911, and 1913, when it was robbed of its important supply of raw material and deprived of the protection of even an equalizing and compensatory tariff.

Thus was the steady growth of the newsprint industry of the United States brought to a standstill in 1910.

With prices for their product forced to an unprofitable level by the combined pressure of the entire press of the country and deprived of their reserve supply of raw material, manufacturers had neither heart nor means for further increase of capacity and were even put to it to meet increasing costs, keep up maintenance, and make needed repairs and replacements. In fact, some of the leading companies of the country were forced to suspend dividends and were crowded to the verge of bankruptcy, while many were enabled to continue operations only by diverting machines to other grades of paper which received protection and could show a reasonable margin of profit.

But these developments, which shrouded with gloom the industry of the United States, marked the dawn of growth and prosperity for newsprint manufacturing in Canada.

The Government of Canada looks after its basic industries with helpful solicitude. It furnishes water powers for nominal fees and supplies vast stores of Crown-land pulp wood at low cost and without the need of any appreciable capital investment to the manufacturing of paper.

With these advantages at hand, spelling low manufacturing costs, and with the great consuming power of the United States offered gratuitously, Canada did not hesitate to grasp the golden opportunity.

Money in any amounts needed was forthcoming for the development of water powers and the construction of mills, and the newsprint industry of Canada started on its phenomenal growth.

From 1910 to 1920 the production of newsprint in Canada increased from 161,000 tons to 883,000 tons, or over 540 per cent. Exports to the United States grew from about 25,000 tons for the year 1910 to 680,000 tons in 1920, an increase of over 2,700 per cent.

While Canada experienced this prosperous expansion of her newsprint industry by grace of the press-influenced legislation of our Government, the industry of the United States, which, with a minimum of congressional aid and consideration and the continuation of its statutory rights in its reserve of Crown-land pulp wood, could have developed capacity to meet the steadily growing demand of home consumers, was forced to halt its progress.

With the exception of one small mill built by a newspaper company, only one integrated newsprint plant has been constructed in this country since 1909.

In other words, short-sighted legislation robbed this important industry of its possible expansion and handed it as a free gift, of enormous value to a foreign country. The manufacture by us of the additional 680,000 tons of newsprint which was imported from Canadian mills in 1920 would have given employment to 28,700 workmen in the United States, would have distributed \$20,000,000 in wages, would have aided the railroads by the freight receipts on nearly 2,700,000 tons of raw material, and would have paid substantial taxes to our Government. That was the size of our free gift to Canada at the expense of this industry.

Now, compare the course of the newsprint production in the United States with the sensational development in Canada, which has been cited.

The manufacture of 1,278,000 tons in 1910 increased to 1,367,000 tons in 1911 and reached a peak of 1,432,000 tons in 1912. This large production was attained by running machines to capacity in an attempt to satisfy the growing demand and hold the market. By 1913 new Canadian production was in the competitive market and our production dropped to 1,305,000 tons, followed in 1914 with 1,283,000 tons, 1915 with 1,239,000 tons, 1916 with 1,315,000 tons, 1917 with 1,359,000 tons, 1918 with 1,260,000 tons, 1919 with 1,375,000 tons, and 1920 with 1,512,000 tons.

In 1916 demand threatened to exceed supply on account of the fear of a paper shortage generally entertained by the publishers, who began buying in excess of actual requirements to establish reserves.

In the spring of 1919 a phenomenal increase in the demand for newsprint was caused by an unanticipated flood of advertising, which swamped the columns of newspapers and forced an increase in size of issues. This condition continued through 1920, and that year competitive demand for newsprint at any price was responsible for the high levels reached by the "spot market." All facts obtainable up to the beginning of 1921 indicated an actual underproduction, but when the statistics of the year were compiled it was discovered that production and imports had been about 100,000 tons greater than actual consumption, a quantity which virtually equalled the increase in the reserve stocks of a comparatively small number of the larger newspapers. This reserve stock by the end of 1920 had reached nearly 250,000 tons, 40 per cent of which, at least, was plain hoarding at the expense of the small publishers.

The peak production of 1920 was the result of the abnormal demand, which forced regular newsprint machines above normal production, swelled by the contribution of other mills and machines diverted from their regular grades by the lure of the high spot prices of newsprint. At the close of 1920 the market broke, production diminished, and the records for 11 months of 1921 indicate a total output for the 12 months of 1,191,000 tons, or less than any year for over a decade.

In this period, beginning with 1916, when the law of supply and demand, operating under the influence of the cataclysmic industrial upheaval occasioned by the European war, was multiplying production costs and advancing selling prices this industry was again assailed by the united newspaper interests of the country. It had been robbed of its slight protection by these interests working on

and through the Congress, and now was subjected to the indignity of Federal prosecution, because, forsooth, the publishers, ignoring the rising trend of all other prices current, jumped at the conclusion that a higher price for newsprint could be only the result of criminal conspiracy on the part of the manufacturers.

Before actual proceedings had been started, however, the publishers consented that the prosecution might be dropped by the Department of Justice on the execution of an agreement between the Attorney General, acting in behalf of every newsprint user in the United States, and 10 manufacturers, who produced about 50 per cent of the newsprint manufactured on the continent. This agreement fixed a price for newsprint for three months and provided that the price thereafter, for the product of these manufacturers above mentioned—not for all newsprint sold—should be determined and fixed by the Federal Trade Commission. It is not intended to weary you with an account of the protracted hearings of the commission, or unduly to stress the annoyance, expense, and interference with office routine experienced by the manufacturers concerned during the searching investigation. Nor will more than passing allusion be made to the scores of voluminous reports exacted, the preparation of which was the source of endless annoyance, trouble, and expense.

In this investigation, conducted by a commission, three members of which were directly interested in newspaper enterprises, the price determined for newsprint was so low that the judges of the United States District Court for the Southern District of New York, acting as arbiters, increased it substantially after a review of the evidence.

These matters are mentioned merely to help you visualize a true picture of what this industry has been forced to endure, because its customers control the public press. Please ponder the full significance of this.

The annual production of paper board is almost double that of newsprint. Yet paper board is protected by duties ranging from 5 to 25 per cent, and its selling price is governed by manufacturing costs and market conditions and was never determined by a Government commission.

Book-paper tonnage each year is almost as great as that of newsprint. Yet, book paper enjoys a high degree of tariff protection, and the prices of the different grades are governed solely by the law of supply and demand.

Wrapping-paper production reached 832,000 tons last year, yet it is protected by a high duty and is allowed to follow market conditions without interference in respect to its selling price.

Newsprint alone, which sells for the lowest price per ton, the manufacture of which requires the largest investment and is the most hazardous, and which meets the keenest competition from other countries, is the one product of the whole paper industry which has been deprived of all protection and bedeviled by inspired Federal regulation and interference. The reason for the invidious treatment this branch of the industry has suffered is obvious, and the fact that the press can control legislation and invoke unwarranted regulations, restrictions, and interference for its own selfish interests constitutes a grave charge of undue influence and special privilege.

All the foregoing has been necessary to show you what this great industry has been obliged to endure since the lowering of the price of its product by the use of wood as raw material started the publishers on their reckless competition for circulation, at any cost, but chiefly at the expense of the manufacturer.

We come now to what in many ways is the most critical period in the history of the industry. With manufacturing costs not far below the peak, which was reached in the fall of 1920, the demand for domestic newsprint has greatly decreased since the first of the year, and the market has been demoralized and unsettled.

Labor is stubbornly resisting any material liquidation, although contract prices for newsprint have fallen \$60 and more a ton within the year. The outlook for the manufacturers of the United States is distressing. Canadian competition is increasing, with the advantages all on its side. The differential in manufacturing costs of \$5.35 a ton was determined by the Tariff Commission when the cost in this country was around \$35 a ton. With present cost close to \$70 a ton, it is a fair assumption that the differential has at least doubled. The Canadian product, moreover, is paid for in United States funds, so that at practically the same selling price the Canadian manufacturer receives the benefit of the exchange and has been getting from 108 to 118 Canadian cents compared with the 100 cents paid the United States manufacturer.

But the Congress has decreed that this industry must suffer this competition. Newsprint alone, of all the grades of paper made, has been singled out to carry a handicap that no other industry of equal importance is asked to bear.

The appeals of the manufacturers for only enough protection to place them on an even footing with foreign competitors have fallen on ears deafened by the voice of the press. Newsprint manufacturers have been taught by precept and bitter experience that the Republican policy of protection, deemed so vital to the prosperity of the Nation, is sacrosanct in its application to all industries except their own. Denied even the crumbs from the banquet table, they have, perforce, almost reconciled themselves to the unfair conditions which they have not been influential enough to alter and have struggled to protect their properties against favored competition as best they could.

A new menace has been developed as the result of the general industrial and financial disarrangement caused by the war, that, as it affects many industries besides the newsprint industry, demands some form of protective legislation by the Congress.

This menace lies in the ability of the manufacturers of some of the countries overseas to manufacture articles and commodities and, after paying freight, insurance, and other charges, sell them in this country at prices lower than the net manufacturing cost of the same articles and commodities in our factories and mills. This is made possible by the great depreciation which has taken place in the currencies of those oversea countries and by the dislocation of the exchange rate.

Other manufacturers have doubtless told you, or at these hearings will tell you, of the demoralization of their markets by this artificial and unfair competition from abroad. But I am here to tell you of the demoralizing effect on the whole newsprint situation, of the growing importation and sale of newsprint in our seaboard cities at prices

from \$10 to \$20 a ton below the actual cost of manufacture in the mills of the United States.

This overseas paper became a factor in the situation in the fall of 1920, when in September of that year importations of German newsprint started with 676 tons, increased to 2,125 tons in October, 4,059 tons in November, and 14,206 tons in December. During the same period there were large importations from Finland, Norway, and Sweden, and the entire tonnage was sold below the fair market prices current in this country. In the last four months of 1920, 37,322 tons were dumped on this market from the countries named, with demoralizing effect, and this was followed by further importations of 96,014 tons during the first nine months of 1921, making a total of 133,336 tons in 13 months, or an average of over 10,000 tons a month.

-- While this quantity of newsprint constitutes but a small fraction of the country's consumption, the large offerings made, the manner in which it is offered, and the prices quoted demoralize the market and impress purchasers with false ideas of values.

A large quantity has been sold at \$10 a ton below current contract prices, with guarantees that the price will be kept \$10 a ton lower than any of the prices that may be quoted by the United States manufacturers in the future. The general policy seems to be to keep quotations just below the selling price in the United States, but of late German paper has been widely quoted at about \$50 a ton, dock, New York and other Atlantic seaboard cities, a price far below the cost of manufacturing in the most efficient mills in America.

These prices, quoted daily in a market in which there is at present an overcapacity of production, not only give false ideas of actual values to purchasers, but occasion large contract losses to American manufacturers.

In a recent report by the chairman of the paper committee of the American Newspaper Publishers' Association it was urged that American paper must be sold at a price that will compete with the European tonnage in spite of the depreciated currencies of the exporting countries and the low level of costs in Germany and the Scandinavian countries computed on a gold basis.

One large manufacturer in the United States has lost contract business from three of its oldest customers in New York City alone aggregating nearly 50,000 tons a year. This tonnage went chiefly to German manufacturers.

It is difficult to secure definite information as to the volume of tonnage in Germany and the Scandinavian countries that is available for export. Advices, however, received in August, 1921, were to the effect that the prewar capacity of the newsprint machines of Finland, Norway, Sweden, and Germany of 560,000 tons annually had been increased by 1920 to 925,000 tons annually, while a recent report stated that the gross tonnage was even larger. The figures of tonnage available annually for export are: Germany, 230,000 tons; Sweden, 145,000 tons; Norway, 100,000 tons; and Finland, 90,000 tons; a total of 565,000 tons, or considerably more than 25 per cent of the consumption in the United States.

It is equally difficult to secure authentic and exact information regarding manufacturing costs, but taking the figures we have, and using one-half a cent as the present value of the mark in gold, we

can approximate the level of competition which American manufacturers are being forced to meet.

For instance, *The Transatlantic Trade*, published monthly in Berlin by the American Association of Commerce and Trade, in its issue of September 25, 1921, gives the prices of pulp as determined by the German Pulp Manufacturers Co. as follows: Sulphite, 310 marks per 100 kilograms; and ground wood, 200 marks per 100 kilograms. Reducing kilograms to tons and taking one-half a cent as the gold value of the mark, we get prices of \$13.95 a ton for sulphite and \$9.09 a ton for ground wood. On the basis of 80 per cent ground wood and 20 per cent sulphite, the stock in a ton of German newsprint would cost, at the above prices, \$10.06. Allowing \$5 a ton for conversion and other charges, a total manufacturing cost of \$15.06 a ton is secured. This figure is in a way substantiated by the "*Moniteur de la Papeterie Francaise*" of October 15, 1921, which quotes German newsprint at 5 marks a kilogram, f. o. b. the frontier, or on a gold basis \$22.73 a ton, which would allow a good percentage for profit and transportation charges above the manufacturing cost named. Add to this unprecedented production cost the freight charges of only \$3.64 a ton from Hamburg to New York, Philadelphia, or Baltimore, and it is easy to see how the prices of overseas newsprint can be maintained below the manufacturing cost in the United States until the exchange value of the mark is restored to its prewar figure. The freight rate quoted from Hamburg to our seaboard compares with a rate of \$3.80 a ton from Bellows Falls to Boston, a distance of 114 miles.

The wage scale in Germany has been rising substantially, it is reported, on account of the increased cost of living due to the shrinkage in the value of the mark, and it is difficult to determine a satisfactory basis of labor cost in the manufacture of paper.

The Hon. Allen T. Treadway, in a speech before the House, July 14, 1921, gave the highest wage paid to German paper makers as equivalent to 11 cents an hour, on a gold basis. This figure was from official sources as of January, 1921.

A wage schedule received from Germany in August, 1921, gave the highest rate as equivalent to 7 cents an hour, the decrease obviously representing the lowered value of the mark at that date.

The *British Paper Trade Journal*, in its October, 1921, issue says:

It appears probable that average wages will settle down at a level of about 330 to 350 marks per week for a skilled workman.

At the present gold value of about one-half a cent, this would make a weekly pay check of \$1.75 (to compare with the wages paid in the United States, where machine tenders are now receiving 88 cents an hour, or \$42.24 a week, and grindersmen, 48 cents an hour, or \$23.04 a week.

If these low costs are not sufficient to prove the ruinous inequity of the overseas competition, which the American manufacturer of newsprint is called upon to meet, it is only necessary to cite the fact that the German manufacturers have received direct or indirect subsidies from the Government for every ton of newsprint they manufactured. Until a few months ago a bonus of 500 marks a ton was paid in cash, and when the Government was no longer able to pay that sub-

sidy the same purpose was achieved by supplying pulp wood to the mills from the State forests at nominal costs.

It is only fair to state that I cabled Berlin within the last two weeks and got word the other day that now the subsidies had been removed.

So that the newsprint industry of the United States has been demoralized by State subventions to German manufacturers as well as by a debased currency and a depreciated exchange rate, which create a situation that is intolerable.

The newsprint manufacturers of this country, gentlemen, do not come to you asking for as high protection as is granted almost every other basic industry in the country, for experience has taught them the futility of such a request.

But, in common with the manufacturers of many other articles and commodities, they urge such action on your part as will save their enterprises from ruin or protect them from a competition that is as unnatural and illogical as it is demoralizing.

If the protective policy of the Republican Party is anything more than an empty name, the present situation demands your consideration and remedial action.

What that action shall be we are satisfied to leave to your wisdom and experience, aided by the advice of your experts. The condition calls for some provision in the new tariff law, applicable to both the free and dutiable lists, that will protect our industry from the present ruinous and demoralizing competition, and, in the case of newsprint from abroad, that will automatically and gradually disappear as international exchange attains its permanent adjustment and the currencies of the commercial world become normal.

Convinced that you will appreciate the justice and the reasonableness of our request, I am content to leave the matter in your hands for a just and fair solution.

Gentlemen, I thank you for the opportunity.

Senator SMOOT. You have not suggested what you wanted on wood pulp or chemical pulp, have you?

Mr. HASKELL. I have not taken that into consideration at all, Senator Smoot, as others are going to speak on it.

Senator SMOOT. I was not here when you began, and therefore I asked that question. Do you suggest anything as to the amount of duty on newsprint paper?

Mr. HASKELL. Only a duty that will equalize costs and selling prices.

Senator McCUMBER. Is it possible to equalize that cost?

Mr. HASKELL. I think it would be.

Senator McCUMBER. As against the German workmen who are receiving \$1.75 per week?

Mr. HASKELL. We do not need German paper in this country; the publishers do not need it. There is plenty of capacity over here.

Senator McCUMBER. You said you wanted a tariff that would equalize the cost?

Mr. HASKELL. Yes, sir.

Senator McCUMBER. I was asking you if it would be possible to put a tariff on that would equalize the cost, where the divergence

is so immense as it is to-day between the wages paid the American laborer and the wages paid to the German laborer.

Mr. HASKELL. It would only be possible by applying a tariff so high that it would be virtually prohibitive.

Senator McCUMBER. You possibly remember in 1909, Mr. Haskell, the battle we had to uphold the American industry?

Mr. HASKELL. Yes, sir.

Senator McCUMBER. At that time the gentleman who spoke for the publishers at a little private meeting of the Republicans on the Committee on Finance gave us to understand with very strong language—with something of a foreign accent to it—that unless we gave free print paper that the whole press of the country would turn against the Republican party and, if it was possible, it would put them out of business.

Mr. HASKELL. I remember that; that was Mr. Ridder.

Senator McCUMBER. The committee, nevertheless, held to the principle of some protection, reducing it, I think, from about \$6 a ton—

Mr. HASKELL (interposing). To \$3.85 per ton.

Senator McCUMBER. And the crusade began, and the publishers of the country were able at that time at least to make good their threat.

Mr. HASKELL. I remember it distinctly, because at that time I was the publisher of the Boston Herald, and I was the only publisher who was represented before the Payne-Aldrich committee in favor of the manufacturers; and as a publisher rather more foresighted, I thought, than the majority at that time, I took the ground that the publishers needed to have the manufacturers fairly prosperous in order to assure stability of the market, because stable newsprint for the publisher is more important than anything else; it means that he knows the level of his expenditures from year to year ahead.

Senator McCUMBER. Are not the publishers just as insistent to-day as they were in 1909 for free print paper?

Mr. HASKELL. I judge from what I read and from what I hear that they are.

Senator WATSON. There is no doubt about it.

Senator McCUMBER. Do you doubt their capacity to make good a similar threat to that which they gave us in 1909?

Mr. HASKELL. I think the—

Senator McCUMBER (interposing). We are considering the practical side of the question now.

Mr. HASKELL. That is a question that I think the Senator and the committee will have to settle for themselves.

Senator WATSON. What is the total amount of print paper consumed in the United States?

Mr. HASKELL. Two million tons a year.

Senator WATSON. And of that amount we import how much?

Mr. HASKELL. Six hundred and eighty thousand tons from Canada, and so far in 1921 about 10,000 tons a month from overseas.

Senator WATSON. And how much of that from Canada?

Mr. HASKELL. Six hundred and eighty thousand tons last year. That is growing constantly.

Senator WATSON. Do you think if you were sufficiently protected you could produce enough in the United States to supply the home demand entirely?

Mr. HASKELL. I think possibly it is too late, now, sir. If in 1910 we had had the protection we could have, because plans were being made and capital was being interested in the development of our mills. But losing this pulp-wood supply, to which we had statutory rights in Quebec, and being deprived of our protection, it was impossible to go ahead then and raise money to build more mills.

Senator DILLINGHAM. Did I understand you to say that there has not been a pulp mill erected since 1909?

Mr. HASKELL. Yes, except one; the mill at International Falls, Minn.

Senator McLEAN. What is the position of the industry to-day?

Mr. HASKELL. It is in very bad shape. We have a price beginning next year, commencing the 1st of January, of $3\frac{1}{2}$ cents per pound, which is \$70 a ton, and costs at different mills from all the way from \$63 or \$64 a ton up to as high as \$80.

Senator McLEAN. What percentage of the capacity is active now?

Mr. HASKELL. The mills of the continent, taking those of Canada and the United States, are running at about 78 per cent—that is about right, Mr. Kellogg?

Mr. KELLOGG. Yes.

Senator McLEAN. I am not talking about Canada. I want the figures for the United States.

Mr. HASKELL. For the United States they are running about 75 per cent.

Senator McLEAN. And Canada not more than that?

Mr. HASKELL. Yes; Canada is running over 90 per cent.

Senator WATSON. Where does Germany get her raw material to make all this wood pulp?

Mr. HASKELL. They have large pulp-wood forests. They have practiced State forest conservation, and they harvest annually the pulp wood, and they have large resources on which they can call.

Senator McLEAN. Have any of the newspapers—I ask for information—of the United States pulp and paper mills?

Mr. HASKELL. They have paper mills; yes, sir. The St. Paul Pioneer Press has a mill at Itasca Falls, Minn.

Senator McLEAN. Do they own any in Canada?

Mr. HASKELL. The Chicago Tribune owns mills in Canada.

Senator McLEAN. Is there any other paper which you know of which has mills?

Mr. HASKELL. The New York World owns their own mills, but they are all in the United States.

Senator McLEAN. They are all in the United States?

Mr. HASKELL. Yes, sir.

Senator McLEAN. So the Chicago Tribune is the only metropolitan paper that you remember which has mills in Canada?

Mr. HASKELL. I know that is the only one that has a mill in Canada.

Senator McLEAN. Why has the demand decreased during 1921? You say there is a great decrease in demand?

Mr. HASKELL. There has been a falling off in consumption by publishers to a small extent, not a very large extent. Why the demand is as low as it is is a question that the secretary of our newsprint service and I have hardly been able to figure out.

Senator SMOOT. You can figure it out in part by noticing the advertisements in the daily papers. The decrease in the advertisements is wonderful.

Mr. HASKELL. We get statistics on that, Senator Smoot. The consumption of the newspapers, of which we get records monthly, was as great in November as it was a year ago, and the decrease in consumption has averaged, I think, only about 4 or 5 per cent for the entire year, while the mills of the entire continent, the importations and our own production, has been running at only about 75 per cent.

Now, the importations from abroad have not been sufficient to fill that gap, and whether or not the records we get of importations are incomplete or other figures are at fault, we do not yet know.

STATEMENT OF WILLIAM J. PAPE, REPRESENTING PUBLISHERS' BUYING CORPORATION, WASHINGTON, D. C.

Mr. PAPE. Mr. Chairman, I am put down as representing the Waterbury Republican, of which I am the publisher, and the statement is correct, except that it is not quite complete. I am here also as president of the Publishers' Buying Corporation, an organization of some 240 newspapers, nearly all small dailies, very widely distributed over the United States, from ocean to ocean, from the northern to the southern border. I also speak on behalf of the National Editorial Association, a weekly newspaper association, and a number of State associations, as noticed in the brief, which I will file with the committee.

The case that we wish to present consists mostly of comments upon Col. Haskell's statement. Our understanding of the statistics and the tariff history is substantially as his, except that we differ considerably from him as to the recent overseas importations. Our compilation makes it appear 120,000 tons in 20 months, an average of 6,000 tons a month as compared with 10,000, as stated by him. However, our detailed figures are on record there and may be examined by the committee.

Senator McCUMBER. You are giving the average of some 20 months back, are you, and his average is on just a few months.

Mr. PAPE. Yes.

Senator McCUMBER. And that may account for the difference.

Mr. PAPE. Not altogether, Senator. Our total for 20 months is less than his total for 11 months. There is some divergence between the figures there that we are not able, on such short notice, to explain.

Senator SMOOT. We have the figures.

Mr. PAPE. I simply wanted to call the attention of the committee to it. We agree that the expansion in Canada has taken place substantially as Col. Haskell states. We differ somewhat as to the reason. It probably was inevitable, quite independent of whether the tariff had been removed or not. Of course, the action of the Canadian Government, which was not anticipated, in locking up its wood supply against the International and other American manufacturers, who had gone in in good faith and bought the wood under the law, represented a very grave injustice to those who had depended upon foreign wood. The fact that they were dependent upon foreign wood, however, points out why the recent expansion has been so largely in

Canada. Most of the wood-pulp paper mills in the eastern part of the United States have used up their wood; and the reason that they have used up their wood is that 30 years ago a 10-page paper was a large one; a Sunday paper, of 24 pages, was considered the normal. There is at present no apparent limit to the size of newspapers. On the Pacific coast they print as large as 150 pages on Sunday regularly, and occasionally we receive word of the actual issue of some small newspaper of a couple hundred pages, which is printing a special edition.

The 1-cent newspaper, the fact that the entire United States is reading newspapers, the size which modern printing machinery added to newspapers, threw a new demand upon the paper mills and a new tax upon the woodlands, and the industry began to move to Canada and would have moved to Canada because the supplies of wood and water were no longer associated in sufficient quantity with the existing paper mills. It was impossible to keep on adding paper-making machines on the old sites without accentuating the difficulty of the wood supply. That is why the expansion of the last 10 years has been so largely in Canada.

The further proof of that is that it has very largely been financed by American paper-making interests. The Minnesota and Ontario Paper & Power Co., situated at International Falls, Minn., is operating on both sides of the border. The Chicago Tribune, which has been mentioned as owning a mill in Canada, is an example of the newspaper that went across the border in order to buy a suitable mill to supply itself. Col. Haskell's own company is going to add, in 1922, about 75,000 tons to the quantity of newsprint that is made in Canada for consumption in the United States.

Senator WATSON. It has been charged that a great many metropolitan papers had interests in Canada, and that is why I asked the question.

Mr. PAPE. I think that a very large proportion of the capital that is in the Canadian mills that were built during the last 10 years is American capital; there is no doubt about that.

Senator WATSON. Yes.

Mr. PAPE. The boundary lines on paper runs north and south and not east and west at all, and certainly on newsprint North America must be considered as an economic unit, and the reason is that there is no use having the paper-making machines unless you have the wood and the water with them. Canada has the wood and the water, and Canada, of course, took advantage of the fact and tied up the wood that should have been allowed to come to our American mills.

Senator McLEAN. How about the supply of the raw material, Mr. Pape? Is it inexhaustible?

Mr. PAPE. In the United States?

Senator McLEAN. Yes.

Mr. PAPE. Why, we have very large supplies of wood and water still on tap in the western portion of the United States and in Alaska, and eventually the probability is that the United States will be making more—

Senator McLEAN (interposing). But have any mills been established in that section of the country at all?

Mr. PAPE. Yes.

Senator McLEAN. In the western section?

Mr. PAPE. On the Pacific coast they are being supplied with their own newsprint by having coast mills, and the first newsprint pulp and paper making operations are starting in Alaska, and they are going to continue more and more.

Senator DILLINGHAM. What part of Alaska?

Mr. PAPE. Why, there is a pulp mill at Ketchikan.

Senator DILLINGHAM. That is in southeastern Alaska, south of the Coast Range?

Mr. PAPE. It is a new enterprise, started last year.

Mr. KELLOGG. It started up in January, 1921, and shut down, and has not been in operation since.

Mr. PAPE. Future development is looked for in Alaska and on the Pacific slope. There are ample supplies there. The economic reason why they have not been developed so far is there is a long haul and expensive haul from the Rocky Mountains to the east.

Senator McLEAN. How does the price now compare with the pre-war prices?

Mr. PAPE. There has been a little difference in the basis—we used to buy delivered on the sidewalk; now we buy at the mill.

Making that allowance, the average prewar price, 1913-14, and until the first part of 1915 even, was \$36 to \$38 per ton. Possibly some of the largest newspapers bought lower. The contract price I am paying this month is \$80 a ton. Next month it will be \$70 a ton.

Senator WATSON. As compared with prewar?

Mr. PAPE. As compared with \$36 to \$38.

Senator McLEAN. What was it at the peak, the highest price?

Mr. PAPE. The peak of the contract price was \$130; that was during the last three months of 1919 and the first three months of 1920. The price at the end of the war was \$70. It was fixed for 1919 without any opposition, really by common consent, at a general price of \$75, and that was a very profitable price. During that year the newsprint manufacturing companies, whose statements become public and whose stock quotations are a matter of record, show every evidence of prosperity. They made more money that year than they ever had made in their lives, more than they ever dreamed of.

Senator McCUMBER. In every other industry in the United States they did likewise, did they not?

Mr. PAPE. Oh, yes; there is no doubt about that. The largest United States company paid up, I think, during that period a very large amount of deferred dividends on preferred stock, and accumulated a very healthy amount of cash in the treasury.

Well, during 1920, owing to panic conditions, that price of \$75 was raised in the case of the majority of the companies about along this line:

In the first quarter, 1920, \$90; second quarter, \$100; third quarter, \$115; fourth quarter, \$130.

Simultaneously, it was impossible, unless you had a contract, to buy at those prices. Owing to the panic, quite a number of newspapers, particularly the smaller newspapers, but in some cases large consumers, too, got detached from their mills; the contract was not renewed, sometimes on a good pretext, sometimes on a poor pretext, or the contract price was to be adjusted by mutual agreement quarterly, and at the beginning of a new quarter the newsprint mill

thought that it ought to get the spot price of perhaps \$150 a ton, and the newspaper thought that it ought to have the going contract price of \$110 a ton and they got apart.

And thus, as Col. Haskell said, overseas newsprint paper became a factor in the American newsprint market for the first time in the fall of 1920.

I have been a publisher and buyer of newsprint for 20 years, and there have been three of these newsprint scarcities that have affected my paper—one about 1905 or 1906 and another in 1915 and this one in 1920. I never saw a roll of overseas newsprint before the fall of 1920. I never saw in an American newspaper any newsprint that I knew came from overseas before that time. It was not considered as a possible source of supply. We got our paper in the United States and Canada.

I think the figures will show that at times small quantities of newsprint came over in years prior to 1914 or 1915. Of course, none came over during the war, because of traffic conditions.

But the largest amount, so far as I know, was some thousand tons of German newsprint did come over some time about 1910, probably as ballast, or perhaps somebody was sore on his newsprint contract, or perhaps some publisher wanted to experiment.

But there never was any need for overseas newsprint until the price became so high that hundreds of small dailies and some big ones were actually threatened with ruin. The condition was that we had to pay during 1920 all the way from \$140 up to \$250 a ton. I paid \$250 for some paper, and my competitors on either side that had been lucky enough to hold onto contracts were getting paper simultaneously for an average of \$108. That put it into the power of my competitors to cut my throat if they chose; and the condition was similar all over the country. Everywhere where a newspaper was unable to make a contract and was detached from its normal supply and had to rely solely on the spot market there was another newspaper in the town that was enjoying low-cost paper. That is why we went abroad, and that is why we had to go abroad. The newsprint manufacturers told us that we could not get the paper except out of the spot market, because there was an overconsumption, or world-wide shortage of newsprint, and that it was going to continue during the whole of 1920 and during 1921. So we went abroad out of necessity and I had the paper brought in. The expectation at the time it began to come in was that the spot market during the fall of 1920 would be as high as \$300 a ton.

The Reed subcommittee of the Committee on Manufacturers, which held a paper investigation last year, reported a year ago last June to that effect. Senator Walsh of this committee was a member of that subcommittee, I think. Am I correct?

Senator WATSON. Yes.

Mr. PAPE. Here is another thing I want to point out: There were three large newspapers in New York City—the Herald, the Hearst newspapers, and the New York Globe—all of which were either on the spot market in 1920 or had been notified that they would be on the spot market in 1921. In other words, they either had no contract, no claim on any mill for paper at a reasonable price, or their contract was expiring, and they were notified that it would not be renewed and that they would have to take care of themselves.

Under the conditions that confronted them in the summer of 1920, with paper selling at \$220 a ton on spot, the only thing for those newspapers to do was to go abroad. It was necessary to insure publication. You could not buy out of the spot market, as it was then, thirty or fifty or sixty thousand tons that Hearst needs for his New York publications, without sending the price up perhaps \$100 or \$200 a ton. He did the sensible thing and he went abroad. Mr. Munsey went abroad for the Herald and for his Baltimore paper. Mr. Rogers, of the New York Globe, went abroad. They brought the paper in in considerable quantities; and those are the newspapers, their joint requirements representing a very large proportion of the overseas imports, of which Col. Haskell complains.

In other words, during 10 years, from 1910 to the year of 1920, during which we had free newsprint, there was no newsprint brought in of any account whatever, except from Canada.

Overseas newsprint began to come in in the fall of 1920, because there was an alleged scarcity, because the price was rising rapidly, was extravagantly high, and particularly because here were three large newspapers that were threatened with extinction unless they took care of themselves by bringing in paper from overseas.

That condition is described and gone into very thoroughly in the paper report, with which Senator Walsh of this committee is familiar.

Senator SMOOT. What paper are you the publisher of?

Mr. PAPE. I am the publisher of the Waterbury Connecticut Republican.

Senator SMOOT. Did you have a prosperous year in 1920?

Mr. PAPE. I did \$367,000 worth of business and after charges off were made our net profit was about \$8,500. I do not regard that as a prosperous year.

Senator SMOOT. What is your capital?

Mr. PAPE. \$60,000. We have a very large surplus. We have not watered our stock.

Senator McCUMBER. That would be about 15 per cent?

Mr. PAPE. Oh, no, sir. We have a surplus.

Senator McCUMBER. You made \$8,000 net upon a capital of \$60,000?

Mr. PAPE. On \$60,000 capital; yes. There is a very large surplus. We dug our earnings in. I drew no dividends out of that paper for about 15 years. We kept on tilling the soil and developing the paper.

Senator McCUMBER. Your capital and surplus are how much?

Mr. PAPE. Our capital and surplus are about \$200,000. I have not the figures.

Senator SMOOT. And you only made about 4 per cent?

Mr. PAPE. That is all.

Senator SMOOT. What do you generally make?

Mr. PAPE. Why, we aim to pay a dividend of 20 per cent on our \$30,000 of common stock, which we figure is about 6 per cent upon investment.

Senator McCUMBER. Proceed.

Mr. PAPE. There are a great many disadvantages about the importation of foreign paper. There is uncertainty as to the quality; there is uncertainty as to the delivery. Last week the buying corporation, which had arranged for the sale of small quantities of

paper to six newspapers in Washington and Oregon, suddenly found out that the New York importing house which had sold the paper had fumbled its job.

Senator Smoor. Is there any more uncertainty as to the quality of the foreign paper than that of the home make?

Mr. Pape. Yes; there is. There are some mechanical defects that they have found in foreign paper that they have had to use that I never saw in domestic paper at all. We had to make a special tool in one case to put the spindle through the roll, so that we could use it. In another case we had trouble with some German paper, something jamming up inside the core. There is a hollow core about 3 inches in diameter on which the roll is wound, and a metal spindle is put through it. We had quite a number of those German rolls cause trouble, and when we got down to the bottom of it we found that instead of having on the 71-inch roll a core 71 inches long that we had four short pieces of core just butted together.

Senator Smoor. That was due to the quality of the paper?

Mr. Pape. That was due to the quality of the materials used in the German mill.

These disadvantages, uncertainty of quality, and delivery; also the fact that bank guaranties and sometimes import letters of credit are needed make the American publisher averse to dealing with a foreign source if we can get satisfactory paper at what seems to be a fair price from domestic mills, meaning by "domestic mills" the United States or Canada mills.

The differential in my mind, and I believe in the average publishers mind, is \$10, an existing natural protection—

Senator Smoor (interposing). Do they have agents here in America?

Mr. Pape. Why, yes. The paper is brought over in two ways: In some cases existing paper distributors, who handle not only newsprint but other kinds of news paper and have warehouses; they bring it over to supply their customers, and they import it on their own responsibility, and when they get it here they sell it at the domestic price or very close to it.

Then, there is the man who has an office in New York and a telephone, and some paper has just arrived from Europe, and he sells it as a brokerage proposition on a small commission. In order to attract business he quotes \$5 to \$10 a ton below the American price, and sometimes fails to get the business then. I think in the case of any large contracts there are probably inside confidential prices that are lower than those that are generally known.

There are figures given out and sometimes by friends of mine, too, on the price of foreign newsprint that are not borne out by my experience as a buyer for some 100 active accounts of small newspapers as the president of the buying corporation. For several months now there has been talked of German newsprint at \$50 a ton. I got into contact with anybody who alleged that he could supply it at \$50 a ton, and found nobody prepared to do business except one. When I gave him a trial order of 100 tons it was refused at his mill. The statement was made that the December tonnage offered at that price had been sold out, and that the January tonnage would be available, but the price was still to be fixed and the price would be fixed on Novem-

ber 15, and that then I would be notified about it, and I was never notified. The January tonnage is, I believe, gone; at all events, it is not available to me at \$2.50.

I had another case where some Norwegian tonnage at 2.90 was offered, and I gave a firm order for it, in order to develop the fact that the newsprint could be bought at that price, and the same thing happened. The December tonnage was sold, and a price of 3½ cents was later placed by cable on the January tonnage from the same mill that was supposed to be willing to sell us at 2.90.

In the same cablegram a tonnage for the last six months of 1922 was offered at 3½ cents, or about \$5 a ton below the contract price for the next quarter.

Senator WATSON. Col. Haskell made the statement that no mill had been started in the United States since 1910. But he did not state, and I forgot to ask him, although it was in my mind to do so, if any of the mills then in existence have ceased to do business since that time.

Mr. PAPE. I think the principal one is the Kimberly-Clark Co., which went over to book paper. I always thought that a very potent reason for that was—I think I am right—that the representative of that mill on the Manufacturers' Association at the time was indicted and pleaded guilty, and he did not like to be put in a business where he was likely to be classed as a lawbreaker; that was one of the—

Mr. HASKELL (interposing). Who pleaded guilty, Mr. Pape.

Mr. PAPE. I beg your pardon; I am not a lawyer.

Mr. HASKELL. There is some difference, Mr. Pape.

Mr. PAPE. It was an unintentional injustice, but at all events the fine was imposed, so that there was an atmosphere of guilt there.

Some of the smaller and older mills of some of the older paper companies have gone over to specialties—to wrapping paper, and so on—but there has been a considerable development in the United States during those years. Nevertheless, not always what Col. Haskell calls "integrated newsprint mill," which is the ideal mill; that is, a mill having freehold wood, ample water power, and the machinery for converting it all the way up into newsprint. Nevertheless, there may be very successful mills in the United States, buying their pulp, perhaps, from a neighbor and turning out considerable quantities of paper, and making satisfactory money at it.

At all events, during the five years beginning 1916 and ending 1921 there has been no reason for any American newsprint manufacturer to complain about prices or profits.

Senator McLEAN. How many board feet of lumber or cords of pulp wood does it take to make a ton of pulp?

Mr. PAPE. Mr. Kellogg is an expert both on newsprint and on pulp wood, and he could answer that question a good deal more intelligently than I can.

Senator SMOOT. How much can you make out of a cord?

Mr. PAPE. I think about a cord and a quarter of wood is necessary for a ton of newsprint.

Senator McLEAN. Then the large percentage of the value of the product must be labor, if you can get wood for \$2 or \$3 a cord.

Senator McCUMBER. Where?

Senator McLEAN. You can buy wood on the stump at those prices.

Senator SMOOT. That is different.

Senator McLEAN. I do not know how much it would cost, but anywhere from \$1 to \$2 a cord.

Senator WATSON. I do not think you can buy it that cheap, but it will cost a mighty lot to get it off the stump.

Senator McLEAN. I do not pretend to be informed, but it seems to me that \$70 a ton for pulp must involve a large expenditure for labor.

Senator WATSON. Mr. Kellogg can answer that question.

Senator McLEAN. Tell us the amount of wood sufficient to make a ton of pulp?

Senator WATSON. And how much it costs a ton to produce?

Mr. KELLOGG. The estimates and prices vary, Senator. On the average it takes to produce a ton of newsprint paper from $1\frac{1}{3}$ to $1\frac{1}{2}$ cords of pulp-wood. I will be very willing to go on the stand and answer any questions later; and discuss some statements that are not correct that have been made, if the committee wants me to.

Senator McLEAN. What is the average cost of the wood?

Mr. KELLOGG. Are you talking about the cost last spring or last year?

Senator McLEAN. Now.

Mr. KELLOGG. I can not say what the exact cost is, but the average cost of wood in the United States laid down at the mill, I think, is in the neighborhood of \$20.

Senator McLEAN. Per cord?

Mr. KELLOGG. Per cord. But that does not answer your question, because nearly all the mills have extremely large quantities of wood on hand that they had to put in at the highest cost they ever knew, so that the cost of the wood going into paper to-day is very much above \$20 a cord.

Senator JONES. How much has that cost increased in the last 10 years?

Mr. KELLOGG. The cost in the last 10 years has doubled, just about.

Senator McLEAN. That is rather startling, because you can buy hard wood delivered in Washington at \$20 a cord, and up in my section of New England at \$3 or \$4 a cord, cut on the lot, which is all anybody can get for that wood.

Mr. KELLOGG. If you get into the pulp-wood business you will find different prices.

Senator McLEAN. Apparently that is so; that is the reason I asked the question.

Senator SMOOT. It costs \$2 or \$3 a cord to cut the wood, alone.

Senator McLEAN. Yes; but that does not bring \$20. It seems to me that makes the wood on the stump worth \$16 or \$17 a cord.

Senator McCUMBER. It has got to be hauled and delivered at the mills, and there are various other costs incurred.

Senator JONES. Before we leave this subject, I would like to ask the witness if he is familiar with the supply of pulp-wood timber in the United States, and whether the supply has been diminishing, and to what extent?

Mr. PAPE. That is a thing that I will ask for information on myself. My belief is that there is sufficient pulp wood in the United

States, taking in the Pacific slope and Alaska, for our needs for a long time to come, and that there is sufficient in the eastern United States and eastern Canada to supply the United States east of the Mississippi River, which is where the bulk of the newsprint is used.

Senator JONES. But we would have to go into Canada to get the wood to supply the eastern section of the United States?

Mr. PAPE. Yes; to supply these New England and New York State paper-making mills.

Senator JONES. And is the supply of that kind of wood in the eastern part of the United States decreasing?

Mr. PAPE. Why, there, again, it is getting into forestry questions that I am not really competent to speak on. It is, on the whole, decreasing.

Senator WATSON. Of course, Mr. Pape, you are satisfied in the assertion that it is not being produced anywhere as rapidly as it is being consumed.

Mr. PAPE. No; it is not.

Senator JONES. Then, I ask you regarding the economic question: Is it advisable for the United States to try to keep out the timber of other countries so as to diminish the consumption of the supply which we have on hand?

Mr. PAPE. No; it does not seem so. I saw a very illuminating suggestion from somebody—I think it was from Mr. Edward Beck, of the Canadian Pulp & Paper Association, made at the meeting of the New Hampshire Forestry Association, on this very topic, and he suggested that as a compromise between the position of the two countries that perhaps the Canadians might agree to let wood come in free for a limited term of years so as to supply the eastern United States paper-making mills and to give those companies an opportunity to reforest.

Senator JONES. This question arises not only with respect to wood, but other natural resources: The question will come before the committee of putting a tariff upon crude oil, and the supply of crude oil in the United States is supposed to be somewhat limited, and I should like to know what you think about the advisability of putting a tariff upon these natural resources where they are limited in the United States.

Senator WATSON. Is not that a question for us to determine and not for the witnesses to argue to us about?

Senator JONES. It is something I would like to get the views of the witnesses about.

Senator McLEAN. I think the witness has got all he can handle if he confines himself to paper.

Senator JONES. I have an idea that the members of the committee will not confine themselves in the discussion of those questions to their own views.

Senator McLEAN. Our own views are probably made up from our study of those questions in years past.

Senator JONES. And I have an idea that their own views will also be modified somewhat by the views of people on the outside.

Mr. PAPE. Gentlemen, on that I would merely say since May, 1920, my job has been newsprint paper, and I have got to be a man of one idea, and I prefer not to pass any opinions on the oil question.

I want to show what some of these gentlemen in the newsprint and paper business really think as to the effectiveness of foreign competition:

Mr. Philip T. Dodge, president of the International Paper Co., recently, in announcing the price for the first quarter of 1922 at \$70, made this statement, which was found in the Fourth Estate of New York, represented there as an authorized interview.

Mr. Dodge said:

The imports of European newsprint into this country are grossly exaggerated. The best European manufacturers can do is to ship into this country 5 to 6 per cent of the consumption into the United States.

It is outrageous for the information to be disseminated that is being sent out to members of the A. N. P. A. to hold off for lower prices in the hope of getting foreign paper. They can not get it in quantity.

The A. N. P. A. is the American Newspaper Publishers' Association, which is the large national daily association. I am a member, but I am talking now for a different organization.

In the Paper Mill of Saturday, December 24—this is a trade journal published in New York—there is a first page interview with George M. Seaman. I think he must be president of the Seaman Paper Co., which is a very large paper distributing organization. His brother, Joseph B. Seaman, who is vice president, told me just a year ago that the Seaman Paper Co. had sold a greater value of paper and paper products in 1920 than the International Paper Co. had of newsprint; in other words, he is doing a business of \$60,000,000 to \$75,000,000, not all of newsprint, but about 140 tons a day was manufactured in a combination of mills in which he had a considerable interest, and he was a member of the directorate. Mr. Seaman predicted good times during 1922. He was asked [reading]:

"In what part of 1922 do you think that we will be actually going at full blast?"

"It is my opinion," said Mr. Seaman, "that by June we will find ourselves confronted by a tremendous demand for all grades of paper."

"Does that include print?" I asked.

"It does" said Mr. Seaman. "As a matter of fact, the demand for newsprint is picking up right now. Newspapers are beginning to carry more advertising, and I understand that the big national advertisers have set aside larger appropriations for advertising in 1922 than they did in 1921. This means more advertising in the daily newspapers, bigger editions, more paper consumed."

We will skip a paragraph as unnecessary.

"Has German newsprint been a very important factor in the depression in the newsprint market" I asked.

"Well, I wouldn't exactly confine it to German newsprint, but there was certainly a large tonnage of newsprint dumped into this market from Scandinavia, Finland, and Germany combined, and this influx of foreign paper most assuredly did play an important part in the depression of the newsprint market. Of course, the real big factor was the diminution in demand and consumption. The newspapers lost a lot of advertising, and consequently published smaller editions, which required considerably less paper."

"Well, tell me," said I, "did foreign paper seriously affect the book market in this country?"

"No," said Mr. Seaman. "The buyers of book paper are sticklers for speedy delivery. They refuse to wait from six weeks to two months. The foreigners can not compete with the American mills in the book market here and they never will."

Senator SMOOT. You want free print paper, do you not?

Mr. PAPE. Yes, sir. Free print paper saved the situation for us and saved our lives, and we want it continued. I further believe that very small quantities will come in the future, even smaller than now. As a matter of fact, the real competition has not been from Germany at all. There has been more Scandinavian paper brought in than German, and most of the Scandinavian paper is from Sweden, and Sweden is a high-exchange country, about 92 per cent, and is able to put it in in competition with Germany, where the mark is one-half cent.

Senator SMOOT. Have you a brief that you desire to file?

Mr. PAPE. Yes, sir.

Senator SMOOT. That will give us all those figures without taking the time of the committee.

Mr. PAPE. Yes.

Senator SMOOT. I think that will be very much better.

Senator McCUMBER. The previous witness was given considerable time, and therefore I have been very liberal.

Mr. PAPE. Supposing that the two would practically cover the question.

BRIEF OF WILLIAM J. PAPE, REPRESENTING THE PUBLISHERS' BUYING CORPORATION, WASHINGTON, D. C.

Mr. Chairman and members of the Finance Committee, this brief is filed on behalf of the Publishers' Buying Corporation, representing some 250 publishers located throughout the United States, and who use 25 to 600 tons of newsprint annually. The corporation is a nonprofit-making organization, established because many publishers were unable single handed to assist themselves in an endeavor to obtain fair-priced newsprint. We speak also for several State and National associations, including Pennsylvania, Missouri, Connecticut, and Kentucky, as well as the National Editorial Association.

THE QUESTION.

In determining whether newsprint shall be permitted to enter this country free of duty, as now proposed by the House of Representatives, you thereby also determine whether through any act of the Congress such a condition which has existed, and as found by a committee of Senators who carefully investigated the matter, shall again be imposed upon the publishers of the country. I refer to the report of the Committee on Manufactures, dated June 5, 1920, namely:

"Although the average cost of manufacturing print paper decreased between the years 1913 to 1916, according to the Federal Trade Commission report, the open market price charged the consumer rose from 1½ cents per pound in 1913 to 2.35 cents per pound in 1915 f. o. b. destination, and by the end of 1916 to 5 cents per pound f. o. b. mill."

"There has existed a shortage of newsprint paper threatening many small publishers with extinction, and, secondly, that certain newsprint manufacturers have taken advantage of this shortage to exploit the purchasers of such paper and hold them up for excessive, unreasonable, and wholly unfair prices. If this shortage could actually be traced to the operation of natural economic laws, the offense of charging high and exorbitant prices would not be so grave, although the committee is not willing to concede the right of the manufacturer, distributor, or any other person to make unfair use of such a condition. But all the evidence of the various witnesses and the substantial and

absolutely authentic information we have obtained from official reports seem to indicate that many of the newsprint paper makers here and in Canada were acting in collusion, with the apparent intent to bring about restraint of the normal flow of trade and engage in unfair competition by methods in some cases of creating an artificial supply, and in others of resorting indirectly through their bureaus of statistics to an actual fixing of price."

"The prevailing prewar price for newsprint paper was discovered to have been 1½ cents per pound. Many honestly managed mills made contracts for the half year 1920 at 8 to 5 cents, on which—we have it by their own admission—they are realizing fair and reasonable profits. We found that the contracts for the most part were confined to publishers controlling the big metropolitan dailies. The country newspapers, very small users, have been unable to make contracts with the mills and they have been obliged to buy through brokers and jobbers and pay as high as 22 cents per pound for individual lots. It was not uncommon to find very many country newspapers who have been paying between 12 and 16 cents per pound for shipments since the beginning of the year. To-day it is practically impossible for them to buy at a price less than 15 or 16 cents per pound. The result, of course, is pernicious. A crisis has been reached."

It is respectfully submitted that there are no economic reasons sufficient to warrant the Congress of the United States to impose a duty on newsprint when imported from Europe. There are many reasons why there should be distinct encouragement of the European industry. Hereinafter your attention is directed to the fact showing the European source of supply is in no sense a menace to our home product. It is important to first note the peculiar nature of the industry.

MONOPOLISTIC ASPECTS OF NEWSPRINT MANUFACTURE.

Strange as it may seem, publishers who as a class largely dominate public opinion affecting business policies through direct appeal to their readers have been potentially weak when fighting for a fair price for newsprint. In the past 10 years, there have been at least three grave crises caused by the exploitation of this commodity. Each time the price has soared to undreamed of heights, each time higher than the past, and nothing, including commission, congressional, and court action, have stayed the demands imposed by certain of those who control the supply of newsprint.

We learn from economists that as prices for a commodity increase capital is encouraged to enter the particular field and thus through increased competition prices are forced closer to a fair basis to the customer.

This does not obtain in the newsprint industry. Entering into the manufacture thereof is the problem of a proper supply of wood in connection with suitable water facilities. Such sites in this country are rare. They are also largely controlled by present operatives. Usually such sites are situated many miles from inhabited areas. A new manufacturer as a preliminary requisite is then forced to establish new habitations before he can even begin operations. There is then required the necessary plant to make the wood pulp and then another large plant for the actual making of the paper. All these processes entail the initial expenditure of very large capital and is coupled up with from two and one-half to four years delay before the plant is fully operating. Generally speaking therefore, except to care for carefully estimated increases in consumption, new paper-making projects are not started.

Capital and length of time consumed in getting ready act as absolute barriers to the immediate relief of any situation where manufacturers and supplies of newsprint elect in times of stringency to force up the price of paper. For the foregoing reasons the present manufacturers of the United States and Canada have virtually a monopoly over present supply of newsprint manufactured on the North American continent.

NO TARIFF ON CANADIAN NEWSPRINT.

For the purpose of the chief discussion, this brief will assume that no one seriously contends it would be to the interest of the citizens of the United States to have a tariff on Canadian newsprint unless to equalize pernicious duties imposed on wood pulp. For a considerable period the supply of paper

from Canada has been considered an integral part of our entire consumption. United States manufacturers are also heavy owners of Canadian mills.

The question resolves itself, therefore, into whether the United States-Canadian industry is entitled to any advantage by way of tariff legislation as against the European sources of supply, which has brought relief this year to the small inland publisher.

HISTORY OF EUROPEAN IMPORTATIONS.

Prior to the World War and until the armistice, the use of European newsprint within the United States was very small. About October, 1919, there began to be rumored stories to the effect that there was an extreme scarcity of newsprint and the prophecy that the limitations on available quantity of paper actually would force out of business hundreds of small papers purchasing on the open market. This situation in reality finally obtained to a greater or less extent but only because of the piratical practices of those controlling the price. There never was any actual shortage. No greater proof of this statement is needed than that of Mr. R. S. Kellog, secretary of the Newsprint Service Bureau:

"The great post-armistice boom of 1920 brought about only an increase of 5 per cent in the consumption of newsprint over 1919, while on the other hand 1921 which marks the bottom of the industrial depression, has shown a decrease of only 4 per cent in standard newsprint consumption for the first nine months of 1920 when the use of newsprint paper was the greatest ever known."

But without reliable sources of information of their own, in 1920 publishers accepted the suppliers' propaganda then issued and in a panic became the victim of some manufacturers and their brokers who took all the traffic would bear, the contract price as well as spot paper rising to unbearable limits.

Faced with such issues, some larger publishers, including Mr. Munsey and Mr. Hearst, turned to other channels for relief, namely, to European production. Table B shows the importations of European newsprint for the 20 months beginning February, 1920. During that time there was imported from Germany 51,393 tons, an average of 2,569 tons per month; from Norway and Sweden 69,630 tons, an average of 3,481 tons per month; or a total average of about 6,481 tons per month, less than 4 per cent of our total consumption.

CONCERNING PRICE OF IMPORTED PAPER.

Table B attached, in addition to showing quantity of imported paper, shows the actual declared value of paper in the country of origin, the actual price quoted by the importer, the American contract, and the American spot prices for the same prevailing periods. It is believed that this exhibit completely refutes several possible contentions.

RESPECTING ANY ALLEGED DUMPING PRACTICE.

Uniformly it will be noted that the price the paper brought was higher, indeed considerably higher, than the value fixed in the country of origin. The paper was seeking this market not because of a determination to underbid the American manufacturer, but rather because the price was so attractive in comparison with the home and other foreign markets.

FOREIGN PAPER HAS NOT UNDERBID AMERICAN PRODUCTION.

But, moreover, as against the possible charge that while there was not a strict dumping within the meaning of our present law, there was a studied attempt to underbid the American market and then get the business. The facts do not bear out that charge. It will be remembered that, whether contract or spot market prices be considered, the American production was yielding inordinate prices—all the market would bear. The committee's attention is invited to the following:

"One witness before this committee testified that the net earnings of his company for the year 1919 were \$400,000, and when closely questioned he admitted that net earnings for the four months of the present year, namely, from January 1 to May 1, 1920, were approximately \$500,000. The same witness testified that the actual money invested in this plant was about \$4,000,000. It is thus apparent that if the net earnings for the first part of this year

continue, this company will make, in the year 1920, net earnings of \$1,500,000 on an actual investment of \$4,000,000, or 66½ per cent on the total plant value. This witness further testified that his company's selling price during this quarter ranged from 4 to 8 cents, but that most of its output was sold at 6½ cents per pound. With these figures before us, who dares to estimate the extent of profiteering, when paper is sold for 15 cents per pound? We use the word 'profiteering,' but in view of the evidence 'usury' would be a better word." (P. 5 of Report of Committee on Manufactures.)

Please note the prices charged for European paper. The figures are bona fide quotations, in some cases actual prices paid for European production (American prices from Federal trade statistics). The Scandinavian production, which is by far the largest through November, 1920, exceeded the American contract price by 3 to 5 cents per pound. And it is the American contract price we should consider, for the figure in each case represents the quoted price to obtain on paper with delivery at the time named in the exhibit, although ordered 6 to 14 weeks in advance. There were none of the advantages of spot paper, which in a normal market is higher than contract (because of immediate availability), but like American contract paper European production had to be made after the order was placed.

Illustrative of the last statement, please note the seventh column of Table B. It shows April, 1920, price for Scandinavian (Swedish) paper as \$7.85 per 100 pounds. As a matter of fact that paper on that offering was placed in December, 1919. The only reason for contracting at such a figure was because an American contract could not be had (certain manufacturers, it is believed, were using brokers as a means of boosting prices and not contracting with the consumer), and because foreign offerings gave the publisher some assurance of paper in April at a price about equivalent to the December American spot price, the latter rapidly rising.

Another illustration is the price of \$8.50 per 100 pounds for German newsprint for November, 1920, delivery—spot price, \$9.20. As a matter of fact this corporation imported this paper. The contract was signed in September, when, according to Federal Trade Commission figures, the price was spot \$9.80. When the paper arrived in this country large quantities of spot paper were selling at \$8 per ton in New York. (The Federal Trade figures, while used as the basis of tables submitted, are average figures only.)

Attention is invited to the figures since March, 1921, when the price for foreign paper is below that of American-Canadian production. There is a very good and sufficient reason. Many publishers found themselves already fully stocked with high-priced paper and there became a marked cessation of buying of paper of any origin. If any paper was bought it was domestic production. Indeed, only small quantities of immediate domestic paper were bought, forcing spot paper below contract. The foreign paper had been made up in anticipation of orders and could not find a market. Prices quoted were for the purpose of getting to a place where sales could be effected. As conditions are stabilized it is to be noted that the foreign price is barely less than \$10 per ton under spot and this differential is bound to exist. Foreign paper can not be sold on even terms with domestic paper.

ABILITY OF AMERICAN-CANADIAN MANUFACTURERS TO SELL AT A PROFIT IN COMPETITION WITH THE EUROPEAN PRESENT PRICES.

It is the earnest desire of the publishers that are here represented to give American manufacturers full opportunity to sell their product at a fair profit. All mills that are properly and economically operated are needed to meet consumption. With all due respect to the American industry, it is not believed that there can be evidenced by competent figures any proof that at any fair price made by our manufacturers that business will be lost because of European competition.

AMERICAN FAVORITISM OF EXPORT TRADE.

In connection with alleged dumping practices perhaps at the present time on the commodity "newsprint," our own manufacturers have something to explain. As reported by the Federal Trade Commission for September, the average contract and spot price to American users were 4.88 and 4.18, respectively, whereas the average export price to foreign users was 3.8 cents. (Bureau of Foreign and Domestic Commerce figures.) Thus, we see that the United

States producer is favoring his foreign market, selling paper abroad at a less price than sold in this country. Is that an American dumping?

AMERICAN EUROPEAN COMPETITION.

Mr. S. E. Thomason, when appearing before the Ways and Means Committee of the House of Representatives, testified that in February of this year, while still using high-priced wood pulp, a publisher-owned mill was able to manufacture paper for the Chicago Tribune at \$3.50 per hundred pounds, including all charges. American manufacturers were then charging \$6.50 per hundred pounds. A mere profit of \$50 per ton. A Federal court found \$19.75 to be a very fair profit.

Cost of wood pulp, labor, and other raw materials have all shrunk. Based on reproductive values of these commodities, it is submitted (and supported by cost figures available to your orators) that American newsprint can easily be manufactured and sold at a profit of \$3.50 per 100 pounds. We challenge proof to the contrary of this statement.

No offerings have been made by responsive Scandinavian manufacturers importing over two-thirds of the European tonnage at less than \$3.25 to \$3.75 for 1922. Moreover, there is a very great unlikelihood that the price will go lower.

From all data that has been submitted to this corporation, it is very evident that the Scandinavian countries are loathe to fix their price at one which will be considered a cut-rate price against American production. To begin with, there is no incentive for them to do this. They only have a limited quantity of paper that can be sold in these markets, believed to be less than 4 per cent of our total demands. It is their natural desire, therefore, to get as much as they can for their paper and not incur the trade enmity of local producers, for they recognize that if they follow such a policy a cut-rate war would likely occur in which, ultimately, by reason of the strength of the American manufacturers' position (which will be hereinafter more fully discussed), the trade they have established would be lost to them.

With the very best conditions as an incentive to heavy importations, the foreign importers were able to introduce into this country annually not over 73,000 tons of paper. It must be very patent that with a total consumption of newsprint in the United States of 2,200,000 to 2,400,000 tons per annum, the 73,000 tons can not possibly tear down below a reasonable price level the paper being produced in this country. It is admitted by these orators that it can influence prices and give the publishers some sort of an outlet when monopolistic demands become too burdensome.

Much doubtless may be represented to this committee concerning the ability to sell foreign production, particularly the German paper, at ridiculously low prices because of the rates in exchange. Already there are evidences of an advance in the exchange rate and this temporary advantage will, with the return of normal conditions, be speedily lost and the difficulties hereinafter mentioned will become paramount. If a tariff was added to the cost the foreign paper would have to absorb, then in that event another deterrent to this importation would arise, possibly causing it to be forced off the market, leaving the American consumer again at the will of manufacturers for temporary periods of six months to two years, who, with the control of supply, are able to dictate prices. While 70,000 tons of paper can not dictate prices, yet experience has shown that when the market becomes dictated by excessive demands of suppliers, that quality of unabsorbed tonnage acts as a very healthy stabilizer. We can not have that balance except through European paper.

THE FREE FLOW OF FOREIGN PAPER IS REQUISITE TO REGULATE THE CONTROL OF THE PRICE OF DOMESTIC NEWSPRINT.

First. In a normal market present American production is only barely capable of supplying the demand.

The exactness of this statement is corroborated by Mr. George F. Steele, general manager of the Canadian Export Paper Co., who in an interview appearing in the Paper Trade Journal of December 23, 1920, says:

"The situation is an unusual one from the standpoint of the traders. 'Why,' said he, 'we have inquiries for more than 100,000 tons which we can not consider. As for Europe being able to supply the shortage, there is no chance of this.'"

At a meeting of the Newsprint Service Bureau, held in Chicago May 11, 1920, President Dodge of the International Paper Co. said:

"As we all know, the demand for paper far outruns the possible production in this country. Not only are all the news machines running to full capacity, but scores of machines which properly belong on other papers are being used."

Second. Irrespective of need for increased source of supply by virtue of increased consumption, competition should be encouraged so as to restore proper contract charge for newsprint.

Newsprint paper to-day is selling at the highest contract price (other than 1921) known for several generations or more, at least 300 per cent now over prewar prices, and it is to be remembered the price included the freight rate plus delivery in the pressroom, plus a three months' storage supply at point of consumption. (See War Industries Report on Paper Prices, W. I. B. Price Bulletin No. 31.)

Third. A new and important element has been injected into contracts of the manufacturers in the last year which makes it imperative that there be a regulator in the nature of "other sources of supply of newsprint." Reference is made to the fact that instead of annual fixed priced contracts, the price is fixed by the quarter, thus the publisher in the event circumstances (viz, increased demand, shortage caused by strikes, etc.) are favorable on short notice may be faced with the issue—shall he pay an additional price or go elsewhere? There are also attempts, despite relatively poor business for manufacturers to predicate the individual manufacturer's prices on the average price of his competitors. Such a practice is absolutely prejudicial to the interests of the consumer, but what can he do if the manufacturers finally adopt such policy.

THE DIFFICULTIES IN TRADING WITH THE FOREIGN MANUFACTURER.

While as shown by the foregoing there is a real economic and practical need for the European tonnage, the import business is at all times at a great disadvantage in comparison with the domestic consumption, viz:

(a) Our line of communication with the foreign countries is not of the best. We are required in purchasing foreign paper to establish, when the order is placed, so-called letters of credit. This corporation has found that letters of credit are not readily obtainable from small publishers. The inland banks are unfamiliar with the operations of this class of commercial paper. A number of them will not in any event issue a letter of credit. Others of them require that collateral of one kind and another be given from the time the letter of credit is issued until the bank is placed in funds. This banking feature acts as an almost impossible bar therefore to the availability of this field for many newspapers.

(b) Remoteness of source of supply. Publishers are not familiar with the mills abroad. Moreover orders must be given eight weeks in advance of possible use of the paper, and in case of car shortage and scarcity of ocean bottoms, it would not be safe to depend upon shipments reaching inland points within the United States much before three months after the order is placed. As you know, the paper is shipped by rail from some inland point in Europe, there loaded on the boats which generally are of slow time, requiring some three weeks to make the United States and then the paper is unloaded from the steamer in New York, placed on lighters and sent to the rail shipping point where there is another loading of the paper for its ultimate destination. These several handlings increase the risk and hazard of the paper arriving in good condition and require that the shipper have at the port of New York a forwarder, meaning increased expenses. There is involved the several transportation and handling charges and which are not borne on shipments from a mill in this country to the ultimate consumer. The freight rates out of New York also are a very important deterrent.

(c) If a tariff were imposed on newsprint. It is believed that Swedish paper is now being shipped to this country at or near cost and reasonable profit. In normal times it is believed that American publishers will not absorb this production save at a differential of about \$10 per ton under the domestic prices. The difficulties above enumerated make the production unattractive on any other terms. Therefore, if a tariff is imposed which the manufacturers must absorb, the burden would be too large and with the return to normal conditions this Scandinavian paper would seek its old markets.

The loss of this leveler of the American high price will at once give the domestic source of supply an unjustified opportunity to extort from the publishers additional and ill-gotten gains until the price reaches a point which

with tariff included the European producer can again afford to enter this market.

(d) Loss of possible export trade. Our attention has been called to the fact, particularly in the case of Scandinavian importation, that the money derived therefrom do not leave this country in currency. Their proceeds are uniformly used for the purchase of raw materials for exportation to Scandinavia. At the present time, newsprint constitutes about one-third of the value of the total Scandinavian importations. If by any act, newsprint is deprived of this market, the approximate \$5,000,000 of funds that is represented by 60,000 tons of purchased newsprint at \$70 per ton is not made available for the purchase in this country of raw materials and thus our exports are deprived through favoring of those manufacturers who do not need protection, the right to sell that much material abroad.

VIOLETION OF FAVORED-NATION CLAUSE.

Would a tariff provision providing for tariff on European newsprint and none on Canadian newsprint be a violation of treaty provisions with European nations?

It is submitted that if any legislation is enacted along the suggested line of The American Paper and Pulp Association, as presented to the Ways and Means of the House of Representatives in their brief, which appears at page 2902 of the said hearings, the legislation would be invalid; that is, if we understand the brief of the manufacturers (for there was no oral representations by the proponents, this procedure being the subject of much comment by the members of the committee). No tariff would be levied on Canadian newsprint provided that country made no discrimination to the newsprint industry of the United States. Similar legislation has heretofore been enacted in connection with the Canadian reciprocity agreement and was the subject of litigation in the Matter of American Express Co. v. United States (4 Ct. of Custs. App., 146). The court in that case held that if Canada were given the privilege of free entry, all other nations having favored-nation clause treaty with this country stood on a parity.

It is indeed difficult to understand why Canada should be favored in respect to paper. All the evidence that has been collected, both by congressional investigations and those of the Federal Trade Commission, indicate that the manufacturers of Canada have at all times joined in with the manufacturers of this country in any violation of our antitrust laws. Even though Congress could pass a law favoring Canada in this respect, it would be at the expense of our friendly nations who are buying from us their raw materials in quantities that should give them consideration in any tariff legislation that carries with it discriminatory practices.

POSITION OF THE MANUFACTURERS.

The manufacturers did not assist the Committee on Ways and Means of the House of Representatives in determining whether a duty should be had on the European importation. True, they asked for such action but in no wise supported the request by competent evidence. From testimony already introduced before the Finance Committee by the American Paper and Pulp Association, it is believed a tariff on European newsprint importations will be urged on the grounds of alleged depreciated currency and low wage conditions existent in Europe.

Respecting depreciated currency, the manufacturers point to that of Germany. No mention is made of Sweden, the country exporting about an equal amount of paper to this country, even though in competition with Germany and at a higher price than German paper—a price that is comparable with existing American spot prices.

Respecting relative cost of European and American production, it is easy to make those charges; but can they be proved? Where our own manufacturers have in the past been so unfaithful to their domestic consumers should they be permitted to have a penalty placed on users of European print paper (in the guise of tariff for protection) in the absence of a clear showing as to the verity of their allegations?

Our American manufacturers attempt when they come before this committee to cast before you ghosts and hobgoblins in the form of ruined American industry if a tariff is not imposed. Is it possible that they are sincere in this prediction? Mr. Dodge, president of the International Paper Co. recently said:

"The imports of European newsprint into this country are grossly exaggerated. The best the European manufacturers can do is to ship into this country 5 to 6 per cent of the consumption in the United States. It is outrageous for the information to be disseminated that is being sent out to members of the American Newspaper Publishers' Association to hold off for lower prices in the hope of getting foreign paper. They can not get it in quantity."

Now, if as shown by the fact that only 5 per cent of our total consumption can be expected from abroad, it follows that in any fair-priced American market this importation will only seek disposition at an equivalent price. For the present we believe and challenge domestic manufacturers to show that domestic paper can not be manufactured and sold at a good profit at \$70 per ton. Reliable offerings of foreign paper are quoted at \$65 per ton f. o. b. New York and the \$5 difference represents a concession to American users solely because with the disadvantages in connection with importation there would otherwise be no market for the foreign product.

In conclusion, gentlemen, we submit that there should be no tariff on newsprint.

First. Since the American-Canadian producer is in such a strong strategic position that with fair prices the manufacturer needs no artificial trade protection.

Second. By reason of the monopolistic character of the industry, encouragement must be given to all possible sources of supply for the purpose of establishing a fair and free competitive price.

Third. That with the geographical advantage of domestic manufacturers, and long established trade good will, including quality of the American paper, our domestic manufacturers have an advantage that is almost insurmountable by foreign competitors.

Fourth. Any further unnatural trade restrictions in the line of a tariff will discourage the already handicapped European source of supply and thus again permit the return of a complete dictatorial monopoly by domestic manufacturers.

Comparative table showing imports of European newsprint for 20 months beginning Feb. 20, 1921.

Date.	Germany.			Scandinavian.			American.	
	Quantity.	Valued for customs (price per 100 pounds).	Offered (based on actual quotations).	Quantity.	Valued for customs (price per 100 pounds).	Offered (based on actual quotations).	Contract.	Spot.
1920.	Tons.		Cents.	Tons.				
February.....				1,545	\$4.10	\$7.25-88.65	\$4.50	\$8.00
March.....				2,449	4.35	7.75- 8.65	4.50	8.90
April.....				1,677	4.29	7.85	4.75	9.50
May.....				1,201	5.13		4.75	9.80
June.....				557	4.09	9-12½	4.75	10.30
July.....				1,285	4.98		5.00	10.50
August.....			10	2,290	5.65	11	5.00	10.80
September.....	676	\$7.47					5.55	9.80
October.....	2,124	7.26	8½-10			10½-12	5.80	9.40
November.....	4,058	6.34	9½-10	4,391	6.76	8½-10-12	5.85	9.20
December.....	14,206			6,107	6.67		5.90	8.00
1921.								
January.....	4,661	6.33	6½-7½	1,413	6.62	7½-8½	6.00	6.90
February.....	5,642	5.85	6½-7½	3,551	6.63	7½	5.90	6.00
March.....	3,789	5.84	6½-7½	6,828	6.87	6½	5.80	5.60
April.....	1,329	2.28	6½-7½	4,142	6.81	4½	5.70	5.40
May.....	1,659	5.00	6½-7½	2,351	4.77	4½	5.50	5.25
June.....	96	4.68	6½-7½	2,656	6.99	4½-4¾	5.50	5.25
July.....	4,585	3.59	6½-7½	2,344	4.52	4	5.00	4.60
August.....	4,288	3.81	6½-7½	7,959	4.00	3.60- 4.10	5.00	4.50
September.....	4,920		6½-7½	6,884		3.50- 3.75	4.88	4.18
Total.....	51,393			69,630				

Average monthly importations, 6,500 tons.

Average yearly importations, 72,000 tons; only 4 per cent of American consumption.

STATEMENT OF EMORY THOMASON, REPRESENTING AMERICAN NEWSPAPER PUBLISHERS' ASSOCIATION, CHICAGO, ILL.

Mr. THOMASON. It was my understanding, Senators, that the time was limited to 15 minutes for each individual and I have prepared my remarks accordingly.

Senator McCUMBER. The committee is very much gratified by that remark.

Mr. THOMASON. I may say first, gentlemen, that I represent the American Newspaper Publishers' Association, on whose paper committee I am acting as chairman here. I confess to some surprise at the statement of Col. Haskell, in view of the position taken.

Senator SMOOT. Did you follow Mr. Norris? Mr. Norris occupied that position at one time, did he not?

Mr. THOMASON. I believe not, sir. I am the only person representing the American Newspaper Publishers' Association.

Senator SMOOT. Not now; in 1909?

Senator McCUMBER. You succeeded Mr. Norris?

Mr. THOMASON. My experience does not go back to 1909 in this particular position. I do not recollect Mr. Norris.

Senator WATSON. How many newspapers are members of that association?

Mr. THOMASON. About 550 newspapers, whose annual expenditures for newsprint are about \$200,000,000, and who are the consumers of approximately 80 per cent of the newsprint consumed in the United States.

Col. Haskell's company was represented in a brief filed before the House committee, which contained this statement [reading]:

Canada is now producing about 40 per cent of the newsprint paper consumed in the United States, and as this production and importation is needed by the consumers of the United States, the logical demand of the industry for an equalization tariff and the needs of the Government for revenue should yield to the public interest and a specific duty of \$15 a ton on newsprint paper should be suspended in the case of newsprint importations from Canada and applied only by Executive order whenever it may be shown that the Canadian Provinces are maintaining or imposing restrictions that are inequitable or unfair.

The history of all tariff legislation, including the reciprocity law and the measures since adopted, indicates clearly that the intention was to admit, free of duty, newsprint paper exclusively.

The phraseology of the Underwood tariff law does not limit free entry of newsprint paper alone, but by its wording it makes "wall paper, tablet paper, magazine papers, and other grades of print paper." The wording of paragraph 322 of Schedule M should be changed so that newsprint paper alone shall, in the case of importations from Canada, be subject to the suspension of a tariff imposing a duty of \$15 a ton on newsprint.

And by reason of that position taken by the International Paper Co. and the American Newsprint and Paper Manufacturers before the House committee, I will confess I was somewhat unprepared for the attitude taken here.

The fact is, Col. Haskell, I believe, stated that in 1920—which, bear in mind, was a capacity year for all American newspaper manufacturers—

Senator WATSON (interposing). What date was that brief filed? Can you give that, Mr. Thomason?

Mr. THOMASON. It is dated January 21, and filed in the hearings in February, as I give it, Senator.

The fact is that the American consumption amounted, as Col. Haskell has stated, to approximately 2,150,000 tons, of which, operating at capacity—absolutely—and I believe Col. Haskell will unquestionably bear me out in that statement—1,511,000 tons were produced by the American mills.

Senator SMOOR. What did you say the consumption was in the United States?

Mr. THOMASON. 2,150,000 tons in 1920, of which American mills operating at capacity were only able to supply 1,511,000 tons; and I believe that no newsprint manufacturer will question the statement that newsprint in that year and the year 1921 was at its highest level of prices. Paper outside of contract paper—that is, paper on the so-called “spot market”—reached the price of \$280 and even \$300 a ton without any corresponding increase in production costs, wholly a competitive paper price; and with that I have no large quarrel. There was a demand for it and the newspaper manufacturer naturally sold up to the amount that would pay the largest profit. But he was working at capacity, and that is all he could do, and why?

This year he has enjoyed a very liberal newsprint paper market, at a contract price which permits of a wholly satisfactory, if not large profit, to the American manufacturer.

The reason why, I believe, is found in a statement by Mr. Dodge, the president of Col. Haskell's company, and that is this: That the depletion of raw materials in this country has been such that it is wholly impossible now to manufacture in this country the newsprint for which the American papers have created the demand.

Mr. Dodge says in the statement as president of the Newsprint Service Bureau, and I quote from the Handbook of the Pulp and Paper Industry, issued by the Canadian Pulp and Paper Association, 1920, page 74 [reading]:

The great development of the newsprint industry from 1880 to the present day has made terrible inroads on the spruce forests in the United States east of the Rocky Mountains, and, on the basis of the consumption of about 1½ cords of wood in the manufacture of 1 ton of paper, and an average of 5 cords of pulp wood to the acre, it requires only elemental arithmetic to calculate the vast areas of forest that have passed through the printing presses of the land into oblivion in the past 37 years.

It is a lamentable fact that aside from some large tracts in New England and New York that have been carefully conserved by two large paper companies, there is not a stand of spruce to-day east of the Rockies that would justify the erection of even a 50-ton mill.

That is, 50 tons a day. [Reading resumed:]

Manufacturers in this country, therefore, have had to look to Canada, to the spruce forests of Ontario, Quebec, New Brunswick, and Nova Scotia, for the greater part of their pulp wood. The mills of the United States during the year 1917 consumed 5,536,802 cords of spruce wood, and it is safe to say nearly two-thirds of this was imported from Canada.

So I say, gentlemen, I submit to you that it is a little unfair for Mr. Haskell to make to you on this occasion an argument indicating that the fact that newsprint paper is at the present time free of duty is based upon the power of the press upon this body. I do not believe that to be a fact. I have represented the newspapers before your committees for three years now—two and one-half years—and I know that no suggestion of that character has ever crept into any

statement I have made, either verbally or in writing. I do not believe it to be a fact.

We are here asking that newsprint be retained on the free list on purely economic grounds, namely, that we can not make enough newsprint in the United States to satisfy the American demand.

Let me say just one word about large newspapers. Occasionally a hint of disparagement creeps into the suggestions that large newspapers are publishing 120 pages on Sunday or 38 or 40 pages daily in their newspapers. The fact is that the amount of news columns in those papers devoted to news will average about one-third, possibly between 33 and 40 per cent, of the total column space in a newspaper, and the balance is devoted to advertising.

But we are here before you urging that advertising as it appears in newspapers to-day has become one of the salient outstanding factors in our American life. Advertising is the marketing power which has made possible the growth of all industries whose advertisements appear in the newspapers, and the only testimonial required on that is the fact that the hard-headed gentlemen at the heads of those businesses continue from year to year to increase their advertising appropriations, because that is the cheapest way of marketing their goods and building up their enterprises.

So I say that that part of those newspapers which represents increase in the consumption of newsprint paper is devoted wholly to advertising, and that advertising has been one of the prime important factors in the building of all American industry to-day.

Senator WATSON. I think that is the best reading in some newspapers. [Laughter.]

Mr. THOMASON. By far. I would like to make an exception of my own, but I know that in respect of many competitors it is so. [Laughter.]

Of course, particularly so far as affects the Canadian newsprint, the conditions, outside of economic conditions in Canada, are the same as they are here. Canada is affected by the same labor conditions that the United States is. The same labor union embraces in its membership Canadian newsprint workers that embraces in its membership the American newsprint workers; and the same wage conditions prevail, so far as I know.

Senator DILLINGHAM. Does your paper have a mill in Canada?

Mr. THOMASON. Yes, sir.

I wish to say just a word about the clause in the House bill which provides that the President shall be given the power to impose a duty on newsprint and on wood pulp, provided it appears that Canadian provinces or Canadian governments impose export duties on pulp wood.

Mr. Haskell's company has been largely affected by the Canadian provincial action in that respect, and he is doubtless much better informed than I. But the fact is that the regulations and restrictions on the exportation of pulp wood that have been imposed by Canadian provincial governments have been imposed not upon pulp wood purchased as freehold purchase, not upon pulp wood which Mr. Haskell's company or any other company owns, but upon pulp wood which belongs to the Crown lands of Canada, and a license to cut which is owned by Mr. Haskell's company and other American companies;

and that license to cut specifically states that it may be in any year restricted and wholly cut off—it is a license which must be renewed from year to year; and I submit to you, gentlemen, if the Canadian provincial government in endeavoring to have that pulp wood fabricated into pulp, if not into paper, in Canada, has adopted rather reasonable restrictions upon the use of its own natural resources. The Underwood resolution has been adopted in both houses of Congress—that empowers the President to make a reciprocal restriction if he chooses to do so, and I wish to urge upon you gentlemen, representing the body that I do, that you will eliminate from the House bill that restricting clause in the present free list.

I should like to urge, also, that in connection with the words "standard newsprint paper," which are used in connection with the present House bill, in order that all newsprint paper may be unquestionably included and that there may be no difference of definition involved hereafter, that the words "rotogravure paper and half-tone papers" be included, because rotogravure and half-tone papers are used very largely in all American newspapers in the same manner that newsprint paper is, being paper only slightly polished and two or three pounds per 500 sheets heavier in weight.

With reference to Mr. Haskell's statement of the condition of the American—

Senator WATSON. Did I understand you object to the phrase "standard newspaper print?"

Mr. THOMASON. I think that phrase should be a little further defined and be made to include "rotogravure and half-tone papers"—papers used in the manufacture of newspapers.

Mr. Haskell has referred to the fact that there is likely some greater percentage of shutdown in the case of American mills than Canadian mills. But Mr. Haskell neglected to state to you gentlemen, I am sure wholly inadvertently, that his mill has been laboring for several months now under the effect of a strike among all of its men, which for a while shut his mill down something less than 50 per cent of its capacity, and which has been a very important factor in the reduction of the operation of American newsprint mills.

Finally, gentlemen, I wish to urge upon your consideration Schedule 4, paragraph 402, which imposes a duty upon spruce and fir logs, and to urge upon you that spruce and fir logs when included in the manufacture of newsprint or when imported for the manufacture of newsprint be included in the free list.

There is, as I say, answering the question asked a former witness by the Senator, estimated to be 16 years' at the outside supply of newsprint wood—spruce, balsam—available east of the Rocky Mountains, with the exception of those supplies that are available in the far northwest, on which freight rates make it absolutely unavailable for this part of the country or for consumption east of the Rockies. There is only 53 years' supply in Canada.

Senator JONES. How does the price of that wood in the forest compare with its price some few years ago?

Mr. THOMASON. In the forest it has about doubled, and it does cost between \$18 and \$20 a cord.

Senator McCUMBER. In making an estimate of 16 years, do you take into consideration new growth, or are you assuming that there will be no renewal?

Mr. THOMASON. That is without reforestation. But that is estimating; however, at the present rate of consumption, not at any progressive rate of consumption; and on that basis there are 58 years' supply in western Canada and 53 years' supply in eastern Canada, according to the figures of the American Pulp and Paper Association this year.

Senator McCUMBER. On the present basis of consumption?

Mr. THOMASON. On the present basis of consumption. So I urge that wood which is designed to be used in the manufacture of newsprint should also be included, if it is coming into this country specifically for that purpose, on the free list.

I will ask the permission of the Senators to file a brief, which will extend my remarks somewhat.

Senator McCUMBER. Your brief will be received and printed, and we ask that you avoid repetitions in the brief of statements made orally here.

STATEMENT OF S. EDWARD LAUNER, VICE PRESIDENT INTERNATIONAL BROTHERHOOD PULP, SULPHITE, AND PAPER MILL WORKERS, FORT EDWARD, N. Y.

Mr. LAUNER. I represent the international presidents of the two main organizations in the paper mills of the United States and Canada; and we have here State Vice President Parker, of the Papermaker, and Second Vice President John Connelly, of the Pulp and Sulphite Organizations; also two of the workers in the paper mills, Mr. Joseph Moffet, from Berlin, N. H., a machine tender; and Mr. Reynolds, machine tender from Livermore Falls. The International Brotherhood of Firemen is represented here by the international president, Mr. Timothy Healy.

I want to say to the committee that the workers in the paper industry at the time of the expiration of agreements last May were working under fair, and, we might say, good conditions. The 8-hour day was an established fact in the mills, and the wages were such that it conformed to the good American standard of living. Since that time large reductions in wages have been put in effect averaging from 10 to 25 per cent, and at the present time the workers in the industry are confronted with other wage reductions.

At the time that the first reductions were made the arguments were based largely on the cost of living, and the manufacturers to-day admit that there has been no reduction in the cost of living since that time, but that the fact that newsprint paper for 1922 is on the market at \$70 a ton, large reductions in wages or further reductions in wages must be put in effect if they are able to operate their mills.

I want to say that at the present time those who are working at common labor in the mills are not receiving a living wage. A minimum of 40 cents an hour is the wage in the organized mills.

I want to say, further, that the gentleman who spoke a few moments ago stated that we would be confronted with paper from Germany at \$50 a ton; and I want to ask that committee to contemplate what the effect of \$50 a ton would mean on the workers in the paper industry. We feel that we are confronted with a condition that will mean that many of the workers—the semiskilled and unskilled workers in the industry will not be able to satisfy the exist-

ing wants of the workers in that particular industry, and we believe that the people of this country do not wish the standards of American living to be reduced; and the proposition confronts us that we are faced with the low cost of labor in the foreign countries, especially in Germany and in the Scandinavian countries, and the benefits of exchange in their favor are such that the industry needs the protection that has been asked by the manufacturers.

I want to say that while we are not always with the manufacturers in everything the workers are with the manufacturers heart and soul in the request for adequate protection to the American workers in the paper industry.

In closing, I want to call your attention to another fact, that many of the paper mills in this country are located in isolated sections of the country. The paper mills are absolutely the only industry in that particular section of the country, and living costs are higher, in many cases, than they are out in the more thickly populated sections of the country. Many of the workers living there have lived there for years, working in those mills and have no other business or trade of any kind, and if the operation of those mills is curtailed by the introduction of foreign newsprint paper and foreign paper of other kinds it means that those people will suffer and society will have to see that they are cared for, or they will have to work for a wage that will be far less than that which will be adequate for satisfying the existent wants.

Senator JONES. What is the labor cost in the manufacture of paper?

Mr. LAUNER. It would be a guess that I would give you in regard to that. I am satisfied that some of the representatives of the manufacturers could tell you practically what the labor cost on a ton of paper would be.

Senator JONES. Can you give us the amount approximately?

Mr. LAUNER. I would not like to attempt to do that because the manufacture of paper is such a complicated process and requires so many employees of different degrees of skill and capacity that it would only be a guess on my part.

Senator JONES. We are met with this situation, that the price of the wood that goes into paper has increased 100 per cent, which amounts to \$10 or \$15 a ton. What occurs to me is whether we had not better consider the advisability, in some way, of bringing about a reduction in the cost of that raw material rather than a reduction in the wages of the working men?

Mr. LAUNER. That would certainly be a benefit to the workers if it could be brought about.

Senator JONES. And whether it is advisable for use to consider the wage question regardless of these other questions; whether those should not be considered, and whether we would be willing that all these other increases of production shall be recognized as necessary in order that the workers may receive a proper wage. I take it there is not a member of the committee who wants the workers to work for less than a good wage, but shall a tariff be used with that as the cloak, when as a matter of fact the raw material is costing twice what it did in normal times?

Senator McCUMBER. Do you know, Mr. Launer, any possible way by which you can reduce the cost of the wood without reducing the wage of the man who cuts the wood, prepares and hauls the wood?

Senator McLEAN. It might be arranged by cutting the wages of the railway trainmen. That would be a step in reducing everything along the line.

Mr. LAUNER. I want to say to the committee that our jurisdiction does not cover the men who are working in the woods, but only those who are confined within the mills and yards.

Senator McCUMBER. But you are not seeking to benefit yourselves, as suggested by the Senator, at the expense of the fellow who is working in the woods?

Mr. LAUNER. Not necessarily. The workers in the mills are simply interested in this fact, that they are again confronted with a reduction in wages. In fact, the arbitration board that reopened the wage question on the 1st of December are now considering the question of further reduction in wages in the paper mills of the United States and Canada; and the workers are alive to the fact that their standard of living is endangered, that the wage will be reduced to such a point where it will require a reduction in their standard of living, and for that reason they are greatly interested in that proposition.

Senator McLEAN. You have stated that the Canadian wage is the same as the American wage.

Mr. LAUNER. In the organized mills, that is.

Senator McLEAN. That being so, the Canadian cost must be comparable to our cost?

Mr. LAUNER. It must be something near the same, though they are closer to their source of raw material in many cases, and that would operate in their favor.

Senator JONES. Then if we would put on a tariff that would shut out Canadian paper, would not that injure your workers in Canada?

Mr. LAUNER. We are interested in the question of foreign paper that comes from European countries.

Senator JONES. But you would not have a different tariff for European paper from that of Canada, would you?

Mr. LAUNER. Well, it has been customary through the reciprocity treaties with Canada that many times products are exchanged between Canada and the United States without duty that are dutiable from other countries.

Senator JONES. But it is proposed to put a tariff on it which will not be removed from time to time, and that is what I understand you are asking for now—a permanent tariff on print paper.

Mr. LAUNER. From European countries, yes.

Senator JONES. And not from Canada?

Mr. LAUNER. And not from Canada.

Senator JONES. That raises a different question from anything we have considered heretofore. We have treaties in this country, it seems to me, which require us to treat these foreign countries alike.

Senator McLEAN. The American valuation plan would help in that regard, by putting a higher duty on the European exports than on the Canadian exports in proportion.

Senator JONES. I do not believe that has been contended seriously hitherto that that would be the result of it.

And you do not want any tariff, then, on Canadian print paper?

Mr. LAUNER. No; I would hate to see a tariff on Canadian print paper, because it would affect a great many of the workers in our organization adversely.

Senator JONES. You had not drawn that distinction until our colloquy began. Had you previously considered the question?

Mr. LAUNER. Yes.

Senator JONES. I mean, the power of the United States to make that discrimination in its tariff?

Mr. LAUNER. I understand that in the past there have been many articles that have been coming across from Canada reciprocally under treaties between Canada and the United States that have allowed to certain articles a preferential consideration.

Senator JONES. But this bill does not make any such distinction as that.

Senator SMOOT. That was undertaken once to have reciprocity.

Senator JONES. Yes; and it was turned down. If the question is whether we shall have a general tariff applying to Canada as well as to the rest of the world, would you be in favor of it or not, if it had to apply to Canada?

Mr. LAUNER. Well, I would think that I would prefer that there be a tariff rather than to permit large amounts of foreign paper from Germany and Scandinavian countries to come in here.

Senator JONES. But you have doubtless studied the question of the supply of foreign paper and the facilities for bringing it into this country, and so on, and taking all of that into consideration, the amount that is coming in and the amount which probably would come in, would you say that we should now put a tariff upon the print paper coming into the United States, including that from Canada?

Mr. LAUNER. If it could not be done otherwise, without including Canada, I should think there should be a tariff.

Senator JONES. Then you would favor a tariff upon Canadian paper rather than no tariff at all?

Mr. LAUNER. Yes.

Senator DILLINGHAM. You, I think, mentioned the minimum price of one class of labor in the mills. Will you state what the rates of wages are, per diem or hourly rate, for the different classes of workers?

Mr. LAUNER. Of course, that varies. The minimum rate established in the organized mills—those that come under the arbitration award—was 40 cents an hour for labor; it was 52 cents an hour previous to the reduction.

Senator DILLINGHAM. When was this reduction?

Mr. LAUNER. It was put in effect on August 22.

Senator DILLINGHAM. And the higher rate that you have mentioned represented the peak?

Mr. LAUNER. That was the peak in labor prices.

Senator DILLINGHAM. And how much higher was the peak price than the prices at the opening of the war; that is, how much percentage of increase was there during the war?

Mr. LAUNER. I do not know that I can answer that exactly. I have known, too; but I have not it in my mind just at the present time. The wage is now somewhat higher than it was at the beginning of the war.

Senator DILLINGHAM. But you do not know how much?

Mr. LAUNER. I can not tell you exactly. But the wages now run from 40 cents for labor and semiskilled labor. The award of the arbitration board was this: Those receiving over 60 cents an hour were to receive a 10 per cent reduction in wages; those receiving, outside of the few classified jobs, over 70 cents an hour was the 10 per cent; and those receiving between 60 and 70 cents received a 16½ per cent reduction; and the wages of those outside laborers and a few classified jobs inside was 40 cents an hour minimum. It was an average reduction of from 10 to 25 per cent; and the manufacturers have asked, because of the fact that newsprint is being contracted for at \$70 a ton, for further reductions, and the arbitration board is considering that question of reductions at the present time.

STATEMENT OF TIMOTHY HEALY, PRESIDENT INTERNATIONAL BROTHERHOOD OF FIREMEN.

Mr. HEALY. I am not going to make any argument; I am just going to give the names of my committee: Timothy Healy, president International Brotherhood of Stationary Firemen, New York City; John Smith, New York City; John N. Murray, Philadelphia, Pa.; Joseph F. Ferrell, Philadelphia, Pa.; James V. Stewart, Parkersburg, W. Va.

I have nothing to add to the argument of the previous speaker.

Senator McLEAN. About how many employees do these different associations represent?

Mr. HEALY. I represent the steam-plant men in probably 45 or 50 mills in the United States. We also represent other mills in Canada, but I represent the men of that class in all industries throughout the United States and Canada.

Senator JONES. Mr. Healy, have you prepared a brief?

Mr. HEALY. No, sir; I have not prepared a brief. I am not a paper-mill man. I am here in the interest of the paper-mill employees of my organization.

Senator JONES. Has your entire organization considered this question of a tariff on newsprint paper, and what position has it taken?

Mr. HEALY. We have always been with the manufacturers in favor of any legislation that would help to protect the workers, the men that we represent.

Our organization had this question up at our executive board meeting in Omaha in the past five or six weeks, and, of course, we are very strongly opposed to the importation of foreign paper to this country.

Senator JONES. You want to prevent that coming in from Canada?

Mr. HEALY. Well, I am in the same position as to Canada as the previous speaker. Of course, we have a membership in Canada, and we are getting fairly good wages.

Senator McCUMBER. You are for the American worker first?

Mr. HEALY. We are for the American worker first, and if it were a question whether a tariff was put on against the European paper and that the same should apply to Canada, I would be in favor of that, if it had to be done.

There is one other thing. I agree with everything that has been said by the previous speaker, but I want to say this in reference to wages: The manufacturers and the arbitration board will be sitting in New York on the 4th of next month on the question of bringing American labor down to 30 cents an hour.

I think you gentlemen will agree with me that a man can not live in this country and raise a family at 30 cents an hour at the present time and under present high prices for all necessities of life.

Senator JONES. How about Canada?

Mr. HEALY. They are in the same predicament there, I guess. There are some Canadian mills in the arbitration proposition, and it is a pretty serious thing with wage earners, and we want to know just what our men are facing. Of course, they are facing it in other industries. I am connected with all the other industries. I have been giving the most of my time to the railroads in the past few years. But it is pretty serious, and if the men have to come down to 30 cents an hour I do not know how they are going to live.

Senator McCUMBER. They simply can not live unless prices come down with wages.

Mr. HEALY. Unless prices come down, that is everything. If the prices would come down, of course, it would be all right.

Senator JONES. Farm products are now produced on a basis that does not pay the farmer anything like the wages that you mention, the 30 cents an hour.

Mr. HEALY. Farmers?

Senator JONES. Yes.

Mr. HEALY. To their employees?

Senator JONES. Yes; and I include in that the farmers themselves.

Mr. HEALY. The farm laborer has got advantages that the men working in the mills have not got.

Senator JONES. That is true.

Mr. HEALY. I know something of those mills; I have been visiting them for years. I have represented this organization the past 20 years, and you take places away up in the Adirondack Mountains and places like Millinocket, Me., which is 75 miles away from a market. I learned down there that some of the men sent to Chicago to get things. And I remember that they sent to Marshall Field's in Chicago for stoves, and they got a stove for \$16 which would cost \$25 in Millinocket.

Senator JONES. Mr. Healy, the present price of print paper is about twice what it was before the war?

Mr. HEALY. Yes, sir.

Senator JONES. Are your paper-mill workers getting twice the wages they were before the war?

Mr. HEALY. Oh, no.

Senator JONES. Then, there must be something wrong somewhere else.

Mr. HEALY. They were getting pretty good wages, nearly twice the amount before the reduction that has been referred to by the previous speaker. And now let me tell you that Mr. Haskell's organization, the International Paper Co., has had a strike in their mills since May 1 against a 30 per cent wage reduction, and we are keeping

the men out, and we want to continue to keep the men out until they win.

Senator JONES. It seems to me if they are getting at present prices twice the prewar price that the workers ought still to be getting good wages, and they are entitled to have good wages.

Mr. HEALY. I believe that they are entitled to, I know that they are entitled to, better wages than they are getting, and I believe the industry can afford to pay better wages. There is a big difference. We have agreements with some mills. Take, for instance, the Great Northern Paper Co., we have a working agreement there that does not run out until April 1. I do know the difference in the wages, and if the International succeeds in putting the 30 per cent reduction into effect, then they would be paying 40 per cent less than the Great Northern is paying.

Senator McLEAN. It is your idea, then, that there should be no reduction in wages as long as this paper is selling at \$70 a ton?

Mr. HEALY. That is my idea exactly. I do not think they should make a reduction, and I think they could very well afford to pay the wages they are paying at the present time.

Senator McLEAN. Do you know what percentage of the cost of the finished product is labor cost?

Mr. HEALY. No, sir; I am not acquainted with that at all. I do not go into that. I am mixed up with every industry, and that is something our men in the steam plants have not gone into; I do not know anything about it.

Senator McCUMBER. Do you know anything about the increased cost in the wood they have to use?

Mr. HEALY. I know nothing of the raw material.

Senator JONES. According to the statements made here this wood on the stump must cost \$15 or \$16 a ton?

Mr. HEALY. I would not go into that. But that can not be.

Senator JONES. It seems to me there ought to be some reduction before they begin to reduce the wages of your men.

Senator McCUMBER. I do not know on what basis the Senator makes his calculations. However, at the present labor wage and the cost of \$15 a cord on the stump, I would say it would be \$40 a cord at the mill.

Mr. HEALY. The men who handle the pulp wood in the woods—I may not be correct, but my impression is that their wages have been cut in two since the war. I do not want to make that as a statement of facts, but if somebody here knows more about it they can correct me. However, I am under the impression from reports I have received that the men working in the woods are now getting about half what they did two or three years ago.

Senator GOODING. Is there a railroad haul on this wood to the mill?

Mr. HEALY. I do not know anything about it. There are wood men here. Mr. Haskell's company handles a great deal of pulp wood, and he would be able to answer that question.

Senator JONES. What assurance have we that if we put a tariff on print paper so as to put up the price that your workers will still get good wages or be permitted to get reasonable wages?

Mr. HEALY. You would have to get that assurance from Mr. Haskell, I assume, Senator.

Senator JONES. Apparently you have not had any such assurance from Mr. Haskell?

Mr. HEALY. No, I never did. We had to scarp for everything we got [laughter], especially from Mr. Haskell's company.

Senator McCUMBER. You have received some assurance that unless the prices could be kept up there would be a reduction, have you not?

Mr. HEALY. Yes; and I will say, in regard to these companies that we are now negotiating with, that we are always in a position to sit down and argue these questions out with them; and they have been fairly truthful with us. But they have told us distinctly within the last five or six weeks that common labor wages have got to come down to 30 cents an hour.

BRIEF OF J. RAYMOND HOOVER, WASHINGTON, D. C., REPRESENTING THE PUBLISHERS' BUYING CORPORATION.

Your chairman has accorded me the opportunity of filing a reply brief in connection with the hearings and representations of manufacturers on the item newsprint. Since the grant of this permission Mr. R. S. Kellogg, appearing as secretary of the United States Newsprint Manufacturers, has filed a letter endeavoring by force of mere statistics to show that the newsprint industry was not guilty of any wrongdoing in 1920 and 1921. He would have your committee believe that the high prices charged those years were not due to any evils of the manufacturer but rather forces beyond their control. He would have you believe that European newsprint was never needed. He hopes that you will through some process find the 5 per cent of total consumption imported from Europe to be a real menace to American industry.

He forgets: First, the utterances of Mr. Dodge made before the Newsprint Service Bureau in Chicago, dated May 11, 1920, reading as follows: "As we all know the demand for paper far outruns the possible production in this country. Not only are all the new machines running to full capacity, but scores of machines which properly belong on other papers are being used. It may be there will be some falling away, some decrease in the demand, from the extreme figures of the day so that these special mills will no longer be competitors, but I believe that the demands of the country for a year or two or three years will be such as to keep every legitimate news machine running to its capacity, such as to occupy the new machines that are not in prospect, because you probably know that within the next 24 months the plants and machines now in prospect will increase the output from twelve to fifteen hundred tons a day."

If ever an utterance of "one on the inside" was likely to stir avaricious tendencies of his colleagues, it was this statement. Similar meetings and statements thus made were recently condemned by our Supreme Court.

That the result obtained is found by one of your own committees in a report dated June 5, 1920, prepared by Senator Walsh:

"Even the large newspaper publishers are at the mercy of the manufacturers. It is a special favor to-day for any manufacturer to contract at any price to furnish newsprint paper to any publisher. One newspaper publisher, when he was asked what suggestions he could make to assist in remedying the present condition, raised both hands, implying that he could do nothing but get paper where he could and pay what was demanded. It was not and still is not safe for a publisher in any way to criticize or protest to a manufacturer. On the other hand, the small consumer of newsprint paper finds himself in the spot newsprint paper market with the prices prohibitive. In a word, the big publishers, not having mills of their own, are in a 'hold-up market,' while the small publishers are being driven from the business by threatened bankruptcy."

Second, utterances by Mr. George F. Steele, manager of the Canadian Export Paper Co., December 23, 1920: "The situation is an unusual one from the standpoint of the traders. Why, we have inquiries for more than 100,000 tons which we can not consider. As for Europe being able to supply the shortage, there is no chance of this."

Gentlemen of the Finance Committee, we will not now mention Mr. Kellogg's figures respecting the possible adequacy of United States-Canadian production to supply our needs.

The fact remains that the firms above represented were in 1919-1921 able either through a real scarcity or, even more reprehensible, a fictitious scarcity to boost newsprint prices to unlivable heights. We know that for past fancied wrongs one of these corporations was ready in more than one instance to knife its former customers, refusing absolutely to give them paper. We know publishers could not get a supply of paper in this country at any livable price. We know that the ability to import foreign paper along with an unprecedented slump in business was the real rainbow in the sky for newspapers about to be swept off their feet because of the extortionate prices charged by manufacturers.

Why, gentlemen, need you give any serious concern to even the most reliable statistics showing our productive capacity? As shown in our original brief, the manufacture of newsprint is by its very nature monopolistic. New mills can not be brought into being in sufficient time to thwart the profiteering of those controlling supply. The desire to extort the last possible penny from publishers has too often in the past been shown to warrant any belief that the future will show any change of policy. If, therefore, you destroy, through imposition of a tariff on newsprint, this one thermostat against feverish prices, namely, European supply, the manufacturers will again be in the position as described by one of our Kansas Members, homely but true: "Those fellows in the newsprint market learned to suck eggs in 1920; they like the taste and will want to come again."

MANUFACTURERS HAVE THEMSELVES TO BLAME FOR EUROPEAN IMPORTATIONS.

In the years 1910-1916 we imported practically no paper from Europe, averaging about 2,000 tons per annum (Bureau of Foreign and Domestic Commerce). As before stated, this tonnage was doubtless only sent over for ballast purposes. In 1917 and 1918 the tonnage was 26,032 and 18,003, all of which except a negligible quantity was from Newfoundland, imported because of the iniquitous situation then prevailing and through the courtesy of Lord Northcliffe to aid our publishers. This was, of course, not European tonnage. During 1914-1917 prices rose from \$36 to \$70 a ton, with delivery at the mill, as against former sidewalk delivery to the publisher. The camel's back was broken with the announcement of contract prices for 1920—i. e., \$90 and spot \$140 per ton. Then, and only until then, was there any European importations. Moreover, in the summer of 1920 the International Paper Co. announced that each of its customers must take a 20 per cent reduction on 1921 requirements (doubtless affording that company an opportunity to speculate on that 20 per cent), and the Canadian Export Paper Co. announced that 70,000 tons of paper, in part supplying the New York Globe, would be shipped to care for its South African, Australian, and New Zealand prewar customers. Such actions left such papers as the New York American, the Chicago American, the New York Sun, Hartford Courant, and Baltimore American without any contractual source of supply.

Such action properly set the stage. A panic was imminent. In the summer of 1920 there were intimations of contract prices to be fixed for 1921 at \$150 a ton. The spot price would soar to unbelievable heights, making paper for printing cost nearer to the raw material in a silk shirt. The Pejepscot Paper Co. actually sewed up the Cincinnati Enquirer, Jersey City Journal, the York (Pa.) Dispatch, Danbury News (Conn.), the Middletown Press (Conn.), the Meriden (Conn.) Journal, and numerous others at \$150 per ton firm throughout 1921.

So, as we say, the large metropolitan dailies above enumerated could either dance to the tune of the fiddler; the 20 per cent reduced international customers could jazz to the strain of "Where do we go from here, boys" and buy their needed tonnage from the spot market, charging the extra cost on their reader and advertiser, incidentally killing the small normal spot-market publisher, or they could (translated in the mind of manufacturers "if you can") go elsewhere.

"Elsewhere" was Europe. Europe welcomed our business. They gave us no price concessions, charging us all they could get, but the European source of supply did give a way out.

Now, for their own selfish interests, having forced open what they represent to your committee as Pandora's box (but to publishers they represent as an impossible supply) these same manufacturers urge on you to protect United States and Canadian industry.

PROTECTION IS ASKED WHERE IT IS NOT NEEDED.

In our main brief and in our testimony we urged on your committee that you accord no tariff protection, unless there was actual evidence of its need.

Mr. Kellogg in his letter endeavors to show its need, first, because of a potential ability of Europe to swamp us with newsprint. He admits that to date only about 6

per cent of our total consumption has come over when prices were most attractive, when surplus European tonnage could not find in its usual world-wide markets a sale. In his letter he shows the possible exports to be 615,000 tons. Of course, he fails to consider that, naturally, England and France draw off some 210,000 tons to care for consumption over production, leaving only 455,000 tons, against which, by his figures, we are drawing 120,000 tons, leaving only 335,000 tons to supply all of the Old World markets previously supplied from Europe. We therefore reiterate our previous statement that nondutiable paper is not a menace in any form if American manufacturers are only in business for a fair return on their investment. This 335,000 tons in normal times will never seek a market already crowded (as represented by Mr. Kellogg), but will seek its own natural markets.

ALLEGED INCREASE OF EUROPEAN IMPORTATIONS.

Much is said by Mr. Kellogg (and despite the evidence of Mr. William J. Pape, who knows not from mere figures, but because he is buying paper for 100 active accounts) that there is really a continual increasing demand and consumption of foreign newsprint. He called attention to the importations of August to October, 1921, showing that the importations for these three months was 37 per cent more than the average of 14 months' importations. From figures alone he again deduces a conclusion. We submit that these figures would be greatly more informative if all the facts were presented. Accordingly, please note:

A strike was declared in May, 1921, thought by many to have been tacitly acquiesced in by manufacturers to enable them to keep up prices. Certainly the result was the shrinkage of publishers' stocks up through July. The diminution of stock on hand and a consumption in excess of production naturally resulted in publishers being forced to seek the foreign field. Therefore in August importations rose to 16,582 tons. This was about the earliest delivery date possible on the foreign paper and had there been anything but a slight flurry, it would have been expected that September would have witnessed an even larger importation, but, on the contrary, there was a recession of 2,000 tons, and in October another recession under August of 5,000 tons. When we represent to your committee that the importations will be at a minimum we represent this as a fact, because we know as the price of paper reaches its proper level our 240 members will not have foreign in preference to American paper.

Mr. Kellogg, in this same connection, also makes much of a shipment of 1,000 tons to our Pacific coast. Mere figures again. Did he inform your committee that it has been the practice of Pacific coast manufacturers to charge the eastern price (enough to give western producers a handsome profit), but in addition a sum equivalent to the rail haul from eastern mills? Is it any wonder that under such circumstances publishers all along the western coast are up in arms? Should your committee deprive the West coast publishers of their only way out?

EFFECT OF EUROPEAN COMPETITION.

Mr. Kellogg, in his letter, would have you believe that this 5 per cent importation is acting as a lever to force American manufacturers to sell their product at an actual loss. But, strange to say, for once Mr. Kellogg does not show your committee any commercial manufacturer's figures relating to complete cost of manufacture. In our main brief and in this letter we challenge the manufacturers to show:

First. That there have been violations of our present antidumping laws. Table B attached to our main brief showed that practically throughout the 20 months of importations European quoted prices were more than American prices. That now, while the prices based on quotations which may be relied upon are about \$5 to \$10 per ton less than American prices, this differential is necessary because on equivalent prices in normal times the American market will not absorb European production. Questions of comparative quality, uncertainty of delivery, methods of payment, cash with order, are insurmountable factors.

Second. We challenged manufacturers to produce complete cost sheets to show they can not manufacture at \$70 per ton, the American contract price for this year. No complete figures have been made available. Inferentially, manufacturers point to German labor costs. Nothing is said of Swedish costs, which country in fact exceeds German importations, despite German prices and despite the fact that Swedish paper is selling at only less than \$5 to \$7 per ton cheaper than the American product.

The German boggy so constantly brought up is at best a temporary condition. A bankrupt nation, it is selling its goods with a view of restoring in part the balance of trade. This condition can not last for any considerable time. With everything else

in their favor, how can our wonderfully prosperous Canadian-United States mills fear the temporary effort of Germany.

We submit that until the manufacturers show their actual costs, show they are actually losing money when selling on a fair profit; until by actual tangible evidence show that their costs plus a reasonable profit would exceed \$70, as shown by Mr. Thomason, actually engaged in the paper manufacturing business, they have not made out a sufficient case to justify any relief by way of a tariff.

Third. But Mr. Haskell, in the hearings, says three New York City customers canceled contracts with his company. The identity of the customers was not divulged. The New York Tribune, a former International Paper Co. customer, canceled their contract. It so happens that Mr. Ogden M. Mills, a reported director of the newspaper, is reported to be vice president of the International Paper Co. If, in the face of such close corporate unity the International price is too dear, can an uninterested publisher be expected to have any loyalty, particularly in the light of the average charge made for newsprint in 1921. Mr. Kellogg states the average price to have been \$80 per ton; doubtless an unintentional error. The last quarter was \$80. Throughout the other three quarters the price was \$130, \$110, and \$95, an average of \$103.75, as against \$75 in 1919 and \$36 in 1914. Possibly a price of \$75 was justified at peak costs. The peak price charged, i. e., \$130, has always been a stench in the nostrils of fair-minded manufacturers (for example, Great Northern price of \$100 per ton), and yet, as late as March, 1921, we witness the International Paper Co. endeavoring to stabilize the price at \$110 throughout 1921. Except for possible foreign sources of supply that condition would have permanently prevailed.

ALLEGED INEQUALITIES IN TRANSPORTATION COSTS.

Fourth. In Mr. Kellogg's letter appears a table showing comparative freight rates from Europe to the United States, etc. He, of course, fails to add the inland freight haul from European mill to steamer, the possible lighterage and loading charges, as well as lighterage or stevedoring costs on this side.

Of course, there is likewise no showing that water rates are absolutely depressed; that when business becomes normal, then ocean rates overnight can be immediately jumped three or four times.

Mr. Kellogg calls attention to rates from Espanola, Sault Ste. Marie, Sturgeon Falls, Jonquiere, and Port Edward to New York. Very unfavorable statistical comparisons, it is true. The fact remains these mills were never intended to ship into Eastern territory. Hearings before the Interstate Commerce Commission, the Federal Trade Commission, investigations of the Department of Justice have shown a studied division of territory on freight rates and practices established with a view of limiting production from this territory, to distribution in the Middle West and Mississippi Valley. Naturally, the freight rates to New York can not, therefore, be considered as an advantage to European production.

Respecting rates from Glen Falls and Niagara Falls, etc., these rates are not disadvantageously out of line, even now, with undesirable ocean carriage, and when ocean rates are restored to a normal basis the latter will exceed same.

Pessimism sounded by Messrs. Haskell and Kellogg versus optimism sounded by Messrs. Dodge, Meade, Seaman, Wilson, and "Derb":

A picture of abject ruin is depicted as occurring by the first of these two gentlemen if foreign importation is not subject to tariff measures: You are asked to stultify the aims and ambitions of our publishers for a free and open market so that our manufacturers already in complete control of American industry may have the field to themselves. Gloom is stalking abroad throughout the land if Europe with its miserable possible 5 per cent of our consumption is permitted to have access to our markets.

We do hope that Messrs Haskell and Kellogg will be comforted by the words of Mr. Dodge, who stated:

"The imports of European newsprint into this country are grossly exaggerated. The best the European manufacturers can do is to ship into this country 5 to 6 per cent of the consumption in the United States.

"It is outrageous for the information to be disseminated that is being sent out to members of the A. N. P. A. to hold off for lower prices in the hope of getting foreign paper. They can not get it in quantity."

Apparently Mr. Dodge sees no inundation of this country with foreign print. If, as Mr. Dodge says, only 100,000 tons can possibly reach our shores, is it not ridiculous to suppose that weakened Europe would do anything other than she has done in the past, i. e., to sell the commodity on a parity with American production. Europe is not in business for her health. If there is no chance for more than 5 per cent of her production coming to this country, she is going to get as much for that 5 per cent as

our market will pay. Mr. George H. Mead, president of Mead Pulp & Paper Co., seems to have struck the keynote of our manufacturers' depressed state and the outlook for 1922:

"However, as every branch of our industry, as well as other industries, has learned patience during 1921, after a short period of time, the preparation for next season's business through reduced costs and lower selling prices, together with the low stocks of goods now in the hands of purchasers, should furnish to the careful manufacturer reasonably good and substantial business throughout the balance of the year 1922." (Paper Mill, Dec. 31, 1921, p. 1.)

Mr. Percy B. Wilson, president of the Canadian Pulp and Paper Association, lays not the plight of our manufacturers (if they were in any plight) to European importations. He says:

"The year just closed was a trying one for the Canadian pulp and paper industry, as for many others. Early in the year a marked decrease in the market demand for its product developed. This was brought about in part by the general business recession and in part by excessive reserve stocks unexpectedly brought to light in the producing countries of Europe, as well as in the warehouses of some of the larger American consumers. The situation was further aggravated by the operation of additional producing plants, whose inception many months earlier had been predicated upon the expectation of a continuance of the rate of consumption which had developed in the early part of 1920, and which had outrun the capacity of the mills then operating. High-priced inventories of wood and other raw materials, purchased during the war peak period, further complicated the situation for the manufacturers. Price reductions, which naturally followed, have been made gradually and systematically and with a view to the best interests alike of the producer and the consumer." (Toronto Globe, Jan. 2, 1922.)

That Mr. George Seaman looks for no further let down on prices of newsprint is shown in his recent statement:

"Prices have just about reached their proper level. Of course, there are some isolated cases where prices are even lower than they should be, and I think that they will rise to a proper level, and there are a few cases where prices are just a bit higher than they should be, and these particular prices are likely to drop a bit to what I consider the proper level. But, as a whole, I think that the price scales throughout on all grades of paper are on a level at which they will remain for a long time to come." (Paper Mill, Dec. 24, 1921, p. 6.)

A party writing frequently for the Paper Mill under an anonymous signature, "Derb," shows how unlikely foreign newsprint will undercut American prices. He describes the experience of a salesman from Sweden:

"You go forth to America by the first ship that has a gangplank out and try to sell these 10,000 tons to anybody in America who will pay you 4 cents a pound, and not a ha'penny less than 3½ cents. The Swedish paper manufacturer arrived here and he did a tall piece of traveling to try to sell that 10,000 tons of paper. After traveling for three weeks, without even getting a nibble from any publisher, let alone the open paper market, he boarded a ship and went back to Sweden disgusted, and the greatest surprise was that he could not even get a nibble from Germany Jason. Before leaving he said it is impossible for the Swedes to sell newsprint at less than \$70 a ton and make a profit." (Paper Mill, Dec. 24, 1921, p. 8.)

We respectfully submit:

(a) That until facts, other than mere statistics, indicate a real need for a tariff on newsprint none should be imposed.

(b) That all the facts heretofore submitted show foreign newsprint does not interfere with a legitimate American industry, but that it does aid consumers when such industry seeks to acquire gains of unreasonable amount.

It is asked that newsprint be left on the free list.

PYRITES.

[Paragraph 1663.]

STATEMENT OF A. J. WOODRUFF, MANAGER WESTERN PYRITES CORPORATION, GARRISONVILLE, VA.

Mr. WOODRUFF. Mr. Chairman, I am the manager of the Western Pyrites Corporation of Garrisonville, Va., and I represent the Ohio Sulphur Co., of Columbus, Ohio; the Franklin Pyrites Corporation, of Camden, N. J.; and other independent producers of pyrites.

We have been in prewar times importing into this country about 1,000,000 tons of iron pyrites per annum. The home production amounted in those years to about 500,000 tons per annum.

Senator McCUMBER. Under what paragraph does that come?

Mr. WOODRUFF. Paragraph 1663. We are on the free list.

Senator McCUMBER. Very well; proceed.

Mr. WOODRUFF. During the war this production of pyrites was very much increased from domestic sources, but the importations were, of course, hampered to a considerable degree, the largest importation during the war being about 500,000 tons per annum. You are aware that pyrites is used only in the manufacture of sulphuric acid, one of the most essential elements that we have in industry, either in times of peace or in times of war.

I can give you a concrete example of what we are up against in the production of domestic pyrites when I say to you that Spain to-day can load its pyrites at the mines, haul it by rail to the seacoast, 125 miles, ship it across the Atlantic Ocean, and unload it in the port of New York, and sell its sulphur content for one-half the freight rate on our ore from 37 miles south of here to New York City. You can see how impossible it is for us to compete with that situation.

Spain has the largest known supply of pyrites in the world. A report made by Mr. Courtenay de Kalb to the Department of Commerce last year showed that in the Huelva district of Spain at that time there were over 30,000,000 tons of iron pyrites mined and stored above ground.

In the pyrites belt on the Atlantic coast, where we come in competition with Spain, there is something over \$12,000,000 invested in properties producing pyrites, and every one of these properties to-day is closed.

There is another situation, gentlemen, in connection with this matter that is of vital importance. Prior to the war probably 90 per cent of our sulphuric acid was produced from pyrites. Being unable to obtain it during the war, we turned to domestic sulphur, and to-day 70 per cent of our sulphuric acid is produced by the burning of brimstone from Texas and Louisiana fields. Therefore, the price of sulphuric acid to-day is set absolutely by the sulphur producers and not by the pyrites producers. Some of the manufacturers of sulphuric acid are still burning pyrites because their plants are equipped for that purpose, but the major portion of the acid produced in this country is to-day produced from native sulphur.

We have asked for a tariff of \$4 per ton on cuprous, cupriferos, or iron pyrites, and the question that has been touched upon in the Ways and Means Committee more than any other in connection with this matter is what effect it will have upon the cost of fertilizer to the farmer.

Fifty-two per cent of the sulphuric acid manufactured in the United States goes into commercial fertilizer. As the sulphur of the South to-day sets the price of sulphuric acid, it would not increase the cost of fertilizer to the farmer one cent by giving us the tariff which we ask. I think that can be proven beyond a question of a doubt. The importation of Spanish pyrites does not at present affect the price of sulphuric acid in the least, but even small shipments do set the price with which domestic producers of pyrites are forced to compete. On the other hand, if this tariff is given to us, we can

develop sufficient pyrites on the belt which goes up and down this Atlantic coast to supply our entire domestic needs.

It seems to me that the gentlemen who are objecting to a tariff on pyrites are somewhat inconsistent. We have the chemical men, the dye men, in here asking the committee to give them an embargo on dyestuffs and dyes. Yet every particle of dyes produced to-day uses sulphuric acid, and you can not produce dyes without sulphuric acid. Yet these same men are fighting the tariff upon the raw material that goes into the manufacture of sulphuric acid for dyes, which position, it seems to me, is inconsistent.

There is another thing that will enter into this as the years go by, namely, the increasing cost of producing sulphur from the Texas and Louisiana fields. That increase in cost is demonstrated in the experience of one of the large sulphur companies that in 1917 had a cost of \$5.73 per ton.

You understand that production is brought about by the pumping into the earth at a depth of a thousand feet superheated steam, which liquifies the sulphur, and with every ton of sulphur taken out of the earth there is that much larger cavity to heat. That has been shown up very clearly by this sulphur company, whose cost jumped from \$5.73 per ton in 1917 to \$10.89 in 1921. This increased cost is inevitable because of the very character of the operation.

As I said before, gentlemen, if you will give us this tariff that we ask it will mean the employment of millions of dollars of idle capital on the Atlantic coast and the development of an industry that is necessary both in times of war and in times of peace, and will, in my opinion, yield an annual revenue to this Government of upwards of \$1,000,000.

Senator DILLINGHAM. What do you say about the supply of pyrites in this country that can be developed?

Mr. WOODRUFF. The supply is unlimited, Senator Dillingham. The supplies west are much larger than the supplies east, but they are not available, for the reason that they are too far from the market for sulphuric acid. This zone here which is designated as zone 1 by the United States Geological Survey uses 40 per cent of all the sulphuric acid consumed in the United States, and western ores are not available for the eastern market.

Senator SMOOR. There is no limit to the supply.

STATEMENT OF JOHN I. TIERNEY, WASHINGTON, D. C., REPRESENTING THE NATIONAL FERTILIZER ASSOCIATION.

Mr. TIERNEY. Mr. C. H. MacDowell was to have been here but found it impossible to come. He is president of the National Fertilizer Association, and I am his assistant. We are interested in paragraph 1663, pyrites, which is now on the free list, and is carried on the free list in the Fordney bill.

We rest our case for its retention on the free list on the conclusion of the Tariff Commission, which says:

* * * American sulphur producers, regardless of any tariff duties, enjoy comparative advantages making them independent of foreign competition. * * * American pyrites producers can expect little, if any, benefit either from a duty on sulphur or one on pyrites. The serious competition which domestic pyrites producers face comes from American sulphur, not from imported pyrites.

That conclusion is contained in the publication Information Concerning the Pyrites and Sulphur Industry, page 9, prepared by the United States Tariff Commission for the Committee on Ways and Means.

Acid phosphate is the principal material in most commercial fertilizers. It is manufactured by the treatment of phosphate rock with sulphuric acid. In this country more sulphuric acid is consumed for fertilizer purposes than is used in any other industry. Both pyrites and sulphur may be used in the manufacture of sulphuric acid, and therefore the producers of sulphur and pyrites are at least potential rivals in supplying the raw materials for this largest of all chemical industries. Any duty collected on raw material employed in sulphuric acid manufacture is naturally reflected in the cost of most commercial fertilizers, and ultimately the burden of increased cost is borne by the farmer.

Prior to the war approximately one million tons of foreign pyrites was imported annually for use in sulphuric acid manufacture. The quantity of sulphuric acid produced from domestic pyrites was negligible. During the war foreign pyrites was largely supplanted by domestic sulphur as a raw material for sulphuric acid. Unfortunately no deposits of high grade domestic pyrites were found near consuming centers, and the industry even under stimulus of war prices remained small.

During the last two years there has been a large increase in sulphur production. The price of sulphur has so declined that foreign pyrites no longer can compete against it as a raw material for sulphuric acid manufacture, except at points highly favored in respect of transportation, such as Atlantic ports. This is the cause of the reduction of pyrites imports to less than a quarter of the prewar tonnage. It also explains why domestic pyrites is no longer produced in any considerable quantity.

A tariff on pyrites would have the effect of prohibiting further importations, and sulphur, not domestic pyrites, would be substituted, unless sulphur producers, because of the tariff, greatly advanced their prices.

Senator SMOOT. Is Mr. Woodruff head of a company in Virginia?

Mr. TIERNEY. Yes; and he has appeared before your committee as the representative of domestic pyrites producers.

Senator SMOOT. He wanted \$4 a ton?

Mr. TIERNEY. He wanted \$4 a ton, and the American Mining Congress also has asked \$4 a ton.

Senator SMOOT. And you want it free?

Mr. TIERNEY. We want it free, as it is in the Fordney bill and as it has been in nearly all tariff acts.

A tariff on pyrites would be a standing invitation and a constant temptation to the sulphur producers to add the amount of the duty to the price of their product. As has been shown, they do not need any tariff protection, and if further proof were desired to establish the fact of the sulphur producers' favorable position in world markets we would submit the following report of United States Consul Louis G. Dreyfus, jr., at Palermo, Italy, made to the Department of Commerce under date of July 23, 1921. Consul Dreyfus writes:

Now that the freights are again normal, American sulphur exporters are everywhere underbidding the Sicilian product. In fact, the American quotation c. i. f. Hamburg,

delivery weight, was, at the beginning of June, 1921, 1,320 marks, while Sicily was quoted about 3,000 marks. The Sicilian product has been completely displaced in the important Scandinavian markets and is facing keen competition in Belgium, England, the Netherlands, France, Germany, and Africa.

It seems clear in the light of the foregoing facts that the Tariff Commission is abundantly supported in its conclusion that—

The serious competition which domestic pyrites producers face comes from American sulphur, not from imported pyrites.

I wish, therefore, in the name of the National Fertilizer Association, an organization which includes the principal manufacturers of fertilizer, to submit this statement opposing the imposition of a tariff on pyrites.

That is Mr. MacDowell's statement.

STATEMENT OF C. WILBUR MILLER, REPRESENTING DAVIDSON CHEMICAL CO., BALTIMORE, MD.

Mr. MILLER. I want to speak on the subject of retaining pyrites on the free list.

I just want to take up our personal interest in this matter in conjunction with what has been said before. I have here a map showing every consumer of sulphur and pyrites in the United States [exhibiting map to the committee]; also showing the sulphur mines. In this district [indicating] are pyrites mines; right alongside the pyrites mines the acid plants are using sulphur. The plants in the country that are using pyrites are a few on the Atlantic seaboard.

Pyrites as used is a term that is very little understood and is often used for a crude whenever it contains a small amount of sulphur, when, in fact, it is an ore containing 45 to 50 per cent sulphur and 45 to 50 per cent iron. The trouble with the American mines is the sulphur content is low, requiring concentration, and the residue after burning out the sulphur is of no value, at least the residue on the eastern seaboard. Our company for a long time used Virginia ore, and the cost of handling the cinder was so great we could not use it, and we imported pyrites from Spain.

Some years before the war we prospected all through the South and abroad to find a source for our own supply, and we developed a property in Cuba, and in 1912 started the development of that property. During the time before the war and during the war we have spent on this property about \$3,500,000. The mine is used as the raw-material supply for our own works.

The value of pyrites is about \$4.50 or \$5 a ton. A duty of 100 per cent or any duty at all on pyrites would absolutely shut down our whole Cuban property. The investment is entirely American capital; it is manned by an American organization. The value of this property is more than all the combined domestic mines in the eastern seaboard put together, and we tried to use their ore, and we could not; and such a duty as is suggested would put our whole property out of business. As Mr. Tierney has said, it would do nothing but put up the price of sulphur, and we would all have to use it.

Take, for example, the Grasselli Chemical Co. During the war they bought a mine in Virginia, which was a large domestic mine, bought it as a safety valve to their West Virginia plant, and since

the war the Grasselli Chemical Co. have shut down their own mine and are using sulphur in their own plant, while the pyrites mine is very near them and belongs to them.

REFINED SULPHUR.

[Paragraph 1663.]

STATEMENT OF GEORGE F. THOMPSON, REPRESENTING NIAGARA SPRAYER CO., MIDDLEPORT, N. Y.

Senator WATSON. Do you appear for anybody whose name is on our calendar?

Mr. THOMPSON. Senator, I do not know whether I do or not. I received a letter December 7 from Mr. Arthur Beggs, whose name is on there, stating in substance that he had received a communication from the chairman of this committee, dated November 29, asking that these different industries be heard by one representative at this hearing; and the letter went on to state that they had all gotten together and had unanimously chosen me to appear here to-day and asked me to advise them.

But I advised them a little bit different. I stated in answer on the 21st of December that I was authorized by my company to appear, but only to represent my company and at my own expense.

Senator SMOOT. On what?

Mr. THOMPSON. On the question of duty on refined sulphur, Senator.

We are refiners. There is a refinery at Williamsburg, Brooklyn, one in South Brooklyn, there is one at Staten Island, one at Bayonne, N. J., and one at San Francisco—the San Francisco Sulphur Co.—and there is one, the Southern Acid Co., I think, in Arkansas, and ours; I think those are all the sulphur refineries in the United States.

My colleagues expect to ask for a duty of \$8 a ton. I think a duty of \$2 a ton is sufficient. Crude sulphur has never carried a duty, so far as I can read back, but refined sulphur carried a duty up until the last tariff, when it was put on the free list, at \$4 a ton.

I think the difference in the production, based solely on the difference in wages between ourselves and Sicily, is about \$2 a ton.

I would like to ask for a duty of \$2 a ton, and I would like to ask the privilege within the next week of filing a brief on it, and I will promise the brief will not be over a page and a half long.

There is one other thing I would like to ask for, and that is the opportunity to file a brief against the imposition of a duty on arsenic. We use sulphur the same as we use arsenic or lime or blue vitriol or other chemicals, for insecticide and fungicide poisons, and we use 1,000 to 2,000 tons of arsenic. The whole production of arsenic is about 20,000 tons from all the world, and I think it is bad policy to put a 25 per cent ad valorem duty on arsenic at the present time.

Senator McCUMBER. The brief will cover that?

Mr. THOMPSON. Our brief will cover that; and I will promise you that that brief will not be over two pages long.

The tariff bill as passed by the House leaves refined sulphur on the free list.

(The brief referred to is as follows:)

Crude sulphur is mined in sufficient quantities, and at reasonable prices, by three companies operating in Texas and Louisiana, and sufficient crude sulphur is thus produced for domestic consumption.

The following investments in sulphur refineries are situated in this country, viz., Bartel & Renwick, Williamsburg, Brooklyn, N. Y.; T. & S. O. White, South Brooklyn, N. Y.; Nassau Refining Co., Staten Island, N. Y.; National Sulphur Co., Bayonne, N. J.; Southern Acid & Chemical Co., Texarkana, Ark.; San Francisco Sulphur Co., San Francisco, Calif.; Niagara Sprayer Co., Middleport, N. Y.

This industry employs quite a number of men, skilled workmen, at American prices. Sulphur is also refined in large quantities abroad and at cheap labor prices. It is regarded unnecessary to submit a schedule of the difference in price, because this committee must know the usual difference in the price of labor in this country and abroad.

The difference in cost per ton for refining sulphur in this country, solely on account of the difference required to be paid to American labor, is \$2.

This is not an unreasonable tariff, either for revenue or protection, and should be imposed in the bill.

The last tariff left crude and refined sulphur on the free list. Previous to that crude sulphur was on the free list, but refined sulphur was subjected to a specific duty of \$4 per ton.

We ask the committee to impose a duty of \$2 per ton, solely for protection and based upon the facts.

We submit that this industry is as much entitled to protection from foreign importation as any other industry in the United States, especially in light of the fact that there is sufficient crude sulphur produced in this country to meet all the necessities and demands for domestic uses, and no importation of crude sulphur is necessary.

TEA.

[Paragraph 1668.]

STATEMENT OF W. A. W. MELVILLE, REPRESENTING RIDGWAYS (INC.), NEW YORK, N. Y.

We respectfully submit that the various alterations in the wording of paragraph 1668 for the last two tariff bills has been the cause of a great deal of litigation, and there is the possibility of the present wording being read to tax the original tea chests in which the tea is shipped from the country of production.

We understand that the purport of the proviso in this paragraph is that tea shall not be packed in small packages abroad and come in free of duty on account of the tea being free of duty. We do not believe it is the intention of your committee to tax the original tea chests, and we propose that the following be substituted to give a clearer meaning as to what is intended.

"Tea not specially provided for, and tea plants: *Provided*, That all containers, of whatsoever material composed, containing less than 5 pounds net weight of tea shall be dutiable at the rate chargeable thereon if imported empty; *Provided further*, That nothing herein contained shall be construed to repeal or impair the provisions of an act entitled 'An act to prevent the importation of impure and unwholesome tea,' approved March 2, 1897, and any act amendatory thereof."

TAPIOCA AND TAPIOCA FLOUR.

[Paragraph 1666.]

STATEMENT OF ARTHUR L. STRASSER, OF GUGGENHEIM, STRASSER & MEYER, NEW YORK, N. Y.

Mr. STRASSER. May I crave the indulgence of the committee to ask leave to file a brief so that I can get back to New York?

Senator McCUMBER. Whom do you represent?

Mr. STRASSER. Guggenheim, Strasser & Meyer. My name is Strasser. I am a little farther down the list, and I have asked leave to file a brief so that I can get away and go back to New York. It is

with reference to tapioca and sago. I desire to file the same brief that I filed before the Ways and Means Committee.

Senator McCUMBER. That may be done.

(The brief is as follows:)

Tapioca should remain on the free list for the following reasons:

1. Tapioca is a food. Almost 50 per cent of the total imports of tapioca is used for food.
2. Tapioca does not affect the farmer. Only 23 pounds of tapioca flour are imported to every million pounds of corn grown.
3. Tapioca does not affect cornstarch. There are available annually for industrial purposes in the United States only 39,000,000 pounds of tapioca flour as compared to 800,000,000 pounds of cornstarch produced and 269,000,000 pounds exported.
4. Tapioca does not affect the potato grower. Only 1 pound of tapioca flour is imported for every thousand pounds of potatoes grown.
5. Tapioca does not affect potato starch. It is not suitable for the purposes for which potato starch is mainly used. Cornstarch is the real competitor of domestic potato starch. This is evidenced by the fact that of all sizing and finishing materials used in textile mills 86 per cent is cornstarch, 7.2 per cent potato starch, and 6.8 per cent tapioca flour.
6. Tapioca has been admitted free of duty since 1883, and the manufacturers of adhesives, dextrans, glues, and finishings made from tapioca have established and built up their plants, relying on the continued free entry of tapioca. The imposition of a duty would result in confusion and demoralization in many industries.

THE FACTS.

Tapioca is a product derived from the cassava plant, grown chiefly in Java, Straits Settlements, and the Malay States. The roots are cleaned, dried, and granulated and then manufactured in the three forms commercially known as flour, flake, and pearl (Tariff Information Survey on Starch and Related Materials, 1921, p. 25).

The average annual importation of tapioca of all kinds for the seven years 1913 to 1919, inclusive, was 73,000,000 pounds. For the year 1920 the total importation of tapioca of all kinds was about 120,000,000 pounds. This increase over the normal was due to shipments which had been held up by certain war embargo restrictions, and it is safe to say that the year 1921 will show about the same volume of imports as the seven-year average, i. e., 73,000,000 pounds. Of this, about 25 per cent, or 17,000,000 pounds, was imported in the flake and pearl forms, used almost wholly for food purposes. The remaining 56,000,000 pounds consist of tapioca flour, apportioned as follows according to its use in the field of industry:

	Per cent.	Pounds.
Food.....	30	16,800,000
Textiles.....	18	10,080,000
Dextrins.....	20	11,200,000
Adhesives.....	20	11,200,000
Miscellaneous.....	12	6,720,000
Average annual imports.....		56,000,000

Adding to the 16,800,000 pounds of tapioca flour used for food the 17,000,000 pounds of pearl and flake also used for food, we find that of a total average importation of 73,000,000 pounds 46 per cent (approximately 34,000,000 pounds) was used for food purposes.

In order to correct the misapprehension that prevails among certain domestic starch manufacturers, we cite the following from the opinion of the United States Supreme Court in the case of *Chu Lung v. Wise* (176 U. S., 156), in which the court said in part as follows:

"The substance in question (tapioca flour) is not commercially known as starch nor as any preparation fit for use as such. In the markets of the United States it is commercially known as tapioca flour, while the term 'tapioca' includes precisely the same substance * * * nor is it manufactured in this country into the article commonly known as starch, nor is it to any extent used as a substitute therefor, although it is chemically a starch, because a large part of it consists of a starch sub-

stance. * * * Assuming, as counsel for the Government claims, and as is undoubtedly entirely true, that the policy shown in the tariff act is protection to American industries, yet the article here in controversy does not and can not compete with American starch for any of the purposes for which starch is commonly and ordinarily used in this country. The evidence to that effect we think is conclusive. * * * The Treasury Department held tapioca flour entitled to free entry as tapioca. The Secretary said: "It appears upon investigation that tapioca is prepared in three forms, namely, flake, pearl, and flour, and that these terms do not indicate any substantial difference in the character or quality of the article, but merely indicate its form or appearance."

ARGUMENT.

The manufacturers and dealers advocating that tapioca remain on the free list recognize, first, the necessity for protecting the farmer and manufacturer and, second, the necessity for producing revenue. We shall therefore deal with this question from these standpoints, with such reference as may be necessary to the rights of the consumer, labor conditions, and the situation of the domestic manufacturer.

The United States produces approximately 3,000,000 bushels of corn per annum, which, at the rate of 56 pounds to the bushel, is 168,000,000 pounds. The quantity of tapioca flour available for industrial use as hereinabove set forth amounts to 39,000,000 pounds. Expressed in proportions, the tapioca flour which it is alleged competes with corn amounts to twenty-three ten-thousandths of 1 per cent of our corn crop. For every million pounds of corn grown in the United States 23 pounds of tapioca flour are imported. The bare statement that 23 pounds of any imported product affects either the price or the marketability of 1,000,000 pounds of any domestic product is its own refutation. If further proof were needed, it is found in the fact that not a farmer, either individually or through any organization, has appeared before the Committee on Ways and Means to ask for a duty on tapioca. There are only two products which, it is asserted, suffer from competition with tapioca flour, namely, cornstarch and potato starch.

For the years 1913 to 1918, inclusive, an annual average of 800,000,000 pounds of cornstarch was produced in this country. (Tariff Survey, p. 8.) The tapioca flour available annually for industrial use is 39,000,000 pounds. There are 11,000,000 pounds of this used in the manufacture of adhesives. (Tariff Survey, p. 10.) There are 10,000,000 pounds used in textile industries for certain purposes which can not be accomplished by the use of cornstarch. This leaves less than 20,000,000 pounds of tapioca flour available for a great variety of industrial purposes, as against the 800,000,000 pounds of cornstarch with which it is alleged to compete.

The Tariff Commission, at page 28 of its survey, states that tapioca flour competes only to a limited extent with domestic cornstarch, owing to the distinctive qualities peculiar to each of these materials. Our Government itself has recognized this in its Printing Office specifications, which require its envelope gum to be made from tapioca. In the textile industries and in the manufacture of dextrans and adhesives the chemical and physical characteristics of tapioca flour make it especially desirable. (Tariff Survey, p. 28.) In the making of certain furniture glues tapioca flour is the only material which is used.

Turning to the record of cornstarch production for additional evidence that free tapioca flour does not affect it, we find that there were 638,825,336 pounds of cornstarch produced in 1910 and 1,014,000,000 pounds in 1918. The exports of cornstarch in 1910 amounted to 51,535,570 pounds and in 1919 to 269,140,567 pounds. (Tariff Survey, p. 8.) The conclusion is irresistible that the American cornstarch manufacturers have been able to compete with tapioca flour at home and also abroad, where they have the disadvantage of ocean freights, and we press upon the attention of the committee the fact that this steady growth of the cornstarch industry has taken place with tapioca on the free list continuously since 1883.

The average annual production of potato starch for the year 1914 was about 24,000,000 pounds. (Tariff Survey, p. 9.) The average annual production of potatoes for the years 1911 to 1920, inclusive, was about 370,000,000 bushels. (U. S. Tariff Commission, Agricultural Staples and the Tariff.) At 60 pounds to the bushel, an average of 22,000,000,000 pounds of potatoes were produced in this country annually. A comparison of the potato-starch production with the quantity of potatoes grown (about 1 pound of starch to every 1,000 pounds of potatoes) shows that the amount of potato starch produced is negligible as affecting the price of potatoes.

The use of tapioca flour does not affect potato starch, because it is not suitable for the main purposes for which potato starch is used. Each is limited largely to its own particular field, and competition therefore exists only to a negligible extent. Domestic potato starch suffers chiefly from competition with foreign potato starch

and domestic cornstarch. The Tariff Commission, in its Survey of the Domestic Potato-Product Industries, at page 8, says: "Potato starch can not be produced and sold in the United States as cheaply as cornstarch, and its market is therefore limited to the comparatively few purposes for which potato starch is preferred."

The Tariff Commission in its Survey on Starch and Related Materials states, at page 20, as follows: "For a number of years the industry (potato starch) has been declining because of severe competition both from foreign potato starch and from domestic corn starch. Competition before the war came from Germany, where the potato-products industry has been developed to a degree somewhat comparable with the American development in the corn-products industry. Japan, being able to quickly adapt herself to a new crop, entered into potato-starch production on a large scale, and in 1917 and 1918 supplied over 90 per cent of our imports. The principal market for potato starch is in so-called mill starches used by the textile industry. Here potato starch enjoys certain preferential uses. However, by improvements in the process of manufacture, the cornstarch producers are gradually overcoming the prejudices which have developed in favor of potato and wheat starch in many of their uses."

And again in the Tariff Survey on Domestic Potato Products, at page 14, the Tariff Commission says: "In the textile industry and in the manufacture of dextrine potato starch has certain advantages which give it a market even at a higher price. Cornstarch manufacturers have, however, found means to make varieties suitable for use in the textile industry and are offering increasingly severe competition to potato starch."

That corn starch is almost the sole competitor of potato starch is further shown by the Tariff Commission in its survey, on page 11, in a table showing the use of sizing and finishing materials in cotton mills during the year 1919. Of all such materials used in textile mills 86 per cent was cornstarch, 7.2 per cent potato starch, and 6.8 per cent tapioca. With respect to the specific uses of potato starch and tapioca, the commission found also that the great bulk of tapioca was used for finishing, whereas potato starch and cornstarch were used mainly for warp sizing. Imports of potato starch increased from an average of 13,000,000 pounds for the years 1909 to 1913 to over 26,000,000 pounds for 1918. The domestic production of cornstarch in this country was 696,000,000 pounds in 1913 and 1,014,000,000 pounds in 1918. The decline in the potato-starch industry is due to the increased production of domestic cornstarch. Commercially speaking, therefore tapioca flour does not compete with potato starch.

It has not been the policy of the Government to impose a duty on a raw material not produced in this country when such raw material is intended for food. Even the manufacturers of cornstarch do not urge that a duty be placed upon tapioca intended for food. The average imports of tapioca for the years 1913 to 1919, inclusive, was 73,000,000 pounds, of which amount 34,000,000 pounds was used for food purposes.

The average import value of tapioca of all kinds for the years 1908 to 1920, inclusive, was about 3½ cents per pound. (Tariff Survey, p. 29.) It is respectfully submitted that any duty based upon the import value of tapioca will not yield a substantial revenue. Whatever revenue might accrue to the country would be more than offset by the injury done to the manufacturers and users of tapioca products.

All of the adhesive, dextrin, and glue manufacturers established and built up their plants relying on the fact that tapioca has been admitted free since 1883. Many have spent huge sums for advertising, enlarging their plants, and creating sales organizations. They give employment to a large number of workmen and employ American-made machinery in the manufacture of their products.

It is conceded that for several years to come every manufacturer who converts any raw material into a finished product will be hard pressed to keep his organization intact, maintain the existing wage scale, and net only a moderate return on his investment. It is respectfully submitted, therefore, that any act, whether of the Government or of private persons, resulting in the increase of price to the consumer, or which adds to the perplexing problems now confronting the manufacturing industry generally, will react most unfavorably on the general economic situation. This is especially true as applied to raw materials not produced in this country which are imported here and manufactured for domestic purposes by American labor and American machinery.

A duty on tapioca would unfavorably affect the position of domestic manufacturers of tapioca products, not only in competition with other domestic products because of the increased price differential, but also in competition with imported finished products.

All of these considerations would reduce the importation of tapioca flour, and thus make the revenue return to the Government wholly insignificant. It is recognized, however, that this would not be controlling if a duty were necessary to protect the

American farmer or manufacturer. We contend, however, that the facts do not warrant this conclusion. The production of potato starch is a negligible factor to the potato grower. The chief competitors of domestic potato starch are the imported product and domestic cornstarch.

CONCLUSION.

Tapioca flour is a raw material not produced in this country and imported for two main purposes—first, for food, and, second, for manufacture into a finished product through American capital, American labor, and American machinery. It is non-competitive either as a raw material or as a finished product with any domestic raw material or domestic finished product. Its use in the industrial field is limited to special purposes for which no domestic product is so well fitted. The quantity of imported is insignificant as compared either to the amount of corn or potatoes grown in this country or to the amount of cornstarch produced. The revenue derived from any reasonable duty would be negligible. The imposition of a duty would result in serious confusion and demoralization in many of the industries manufacturing or using tapioca products, with the resultant financial loss to American manufacturers and loss of employment to American labor.

[Signed by 60 prominent manufacturers and dealers in tapioca products.]

PIG TIN.

[Paragraph 1670.]

STATEMENT OF WILLIAM LOEB, JR., VICE PRESIDENT AMERICAN SMELTING & REFINING CO., NEW YORK CITY.

Mr. LOEB. I should like to read to you a very short statement on the subject of the proposed duty on tin. Then I shall leave with you a brief.

I appeared before the House Ways and Means Committee and asked for a duty of 4 cents per pound on pig tin. They reported a duty of 2 cents per pound.

The smelting of tin in the United States is of recent origin. My own company built its first plant at Perth Amboy, N. J. There are three other plants that have been built since ours was built. It is a struggling proposition; and while I feel that 2 cents a pound will not afford us enough protection to continue to profitably operate our plants, we are willing to try it. We really ought to have not less than 3 cents a pound.

Senator McCUMBER. That is, for pig tin?

Mr. LOEB. That is pig tin; that is refined pig tin.

Senator McCUMBER. Do you have mines in New Jersey?

Mr. LOEB. No. All the tin that is smelted and refined in the United States is produced from Bolivian ores—Bolivian concentrates.

Senator McCUMBER. You import the ore, do you?

Mr. LOEB. We import the concentrates.

Senator McCUMBER. We have some mines in Missouri and elsewhere, have we not?

Mr. LOEB. There is no tin produced in the United States.

Senator McCUMBER. None at all?

Mr. LOEB. None at all.

In two or three localities there are traces of tin, but it does not appear in commercial quantities. The supply of what is called pure tin ores is controlled entirely by the English smelters. In other words, they control the Malay Straits tin, where there is a prohibi-

tive export duty on the concentrates and ores. They control the Nigeria pure tin ores through a similar prohibitive export duty. They have, in other words, an export duty of 12 per cent on ores, which duty is refunded to the miner when he produces a certificate that his ores were treated in an English smelter.

The only possible supplies for the American tin smelter are Bolivian ores, which we buy in competition with the English smelters and German smelters. The Germans also are in the tin-smelting business quite extensively.

The United States consumption of pig tin amounts to about 52,000 tons of imported pig. That is Malay tin, or English tin.

Senator SMOOT. Are you asking that the provision in paragraph 1670 relating to tin ore or cassiterite and black oxide of tin should be changed?

Mr. LOEB. No. I am not asking that, Senator. I say that we really ought to have a higher rate of duty than 2 cents a pound, but I am quite agreeable to accepting the House provision.

Senator SMOOT. This provision reads:

That there shall be imposed and paid upon cassiterite, or black oxide of tin, a duty of 4 cents a pound, and upon bar, block, pig tin, and grain or granulated a duty of 6 cents a pound when it is made to appear to the satisfaction of the President of the United States that the mines of the United States are producing 1,500 tons of cassiterite and bar, block, and pig tin per year. The President shall make known this fact by proclamation and thereafter said duties shall go into effect.

Mr. LOEB. That is the provision in the present law.

Senator SMOOT. That is the provision in the Fordney bill.

Mr. LOEB. There must be some mistake about it.

Senator WATSON. No. I was wondering about that while you were discussing the subject.

Mr. LOEB. I am asking for a retention of it.

Senator WATSON. This provision speaks of black oxide of tin bearing a duty of 4 cents per pound and pig tin 6 cents per pound, leaving the matter to the discretion of the President of the United States.

Mr. LOEB. That has been the provision in the tariff laws for the last 20 years. That was put in there to encourage tin mining in the United States.

Senator SMOOT. The House put tin ore and black oxide of tin on the free list in the provision that I have just read. That is really what the House did.

Mr. LOEB. I think there is some mistake about that.

Senator SMOOT. The House put in paragraph 386 tin in bars, blocks, or pigs, and grain or granulated and scrap tin, 2 cents per pound.

Mr. LOEB. That is the provision I am advocating that the Senate committee should retain in this bill. I appear in advocacy of the retention of that duty.

Senator SMOOT. You do not want it changed?

Mr. LOEB. No, sir.

I appear here because there has been, I have been informed, considerable opposition on the part of certain industries to the placing of a duty on pig tin.

Senator SMOOT. Yes. We have had six witnesses in opposition to any duty whatever.

Mr. LOEB. Yes. But the provision you quoted, Senator Watson, is inoperative. There is no tin commercially produced in the United States.

The United States consumption of pig tin amounts to 52,000 tons of imported pig tin and 12,000 tons of pig tin produced from imported ores in the United States, making a total of 64,000 tons.

Tin is a metal the price of which is subject to more violent fluctuations than any other commodity. Repeated changes in prices, varying from 5 cents to 30 cents a pound during one year, are taking place, mostly emanating from the activity of speculative interests in London and Far Eastern countries. You will remember that the price of tin is fixed in the London market. The United States consumers can not prevent these fluctuations, although they use almost 50 per cent of the world's yearly production of pig tin.

The value of pig tin in the finished commodities is not of primary importance, because this metal is mostly used as an alloy, and only forms a small part of the value of the other materials of the finished product.

The tin-plate industry uses on an average only slightly over one and one-half pounds of tin per box of tin plates of 112 sheets, so that the advance in the price of tin plates would amount only to 3 cents per box, or about four-tenths of 1 per cent of the value of the finished product.

The two largest tin refineries are located in the Straits Settlements. They refine about 60 per cent of the annual production of pig tin. Their supplies of raw materials are derived almost entirely from the mines in the Straits Settlements and Siam. This industry is protected through geographical location and through the law passed by the Federal Malay Government, imposing an export tax on tin ore, but no export tax on refined tin.

This practically compels all producers in the Federal Malay States to have their tin smelted at the two refineries referred to above. It also enables these refineries, by reason of their subsidy, to compete in near markets like the Dutch East Indies for ores.

The fluctuations in the tin prices are very wide and very violent from day to day. Tin ore is sold on the basis of the prices established in the London market. It is, therefore, an industry that is subject not only to very serious fluctuations in market prices, but has to compete at the same time with a foreign market (London) over which it has no direct control in the price making.

The tin smelting and refining industry in this country draws its supplies almost exclusively from South America, which is the only important producer of tin ore outside of the sphere of British influence, besides the Dutch metal, derived from the Dutch Indies.

Tin smelting in the United States is not a profitable enterprise, by reason of the vagaries of the tin prices. This industry is bound to come to an end in the United States if it can not count on an adequate protection, which may enable it to keep going hereafter. If the refining industry should be destroyed in the United States, we would be entirely dependent for our supplies on the London and Singapore markets, which are more or less synonymous.

Gentlemen, while, as I say, we do not feel that the duty the House bill gave us is quite adequate to enable us to operate profitably in

the United States, we are willing to make a try of it rather than to ask you to increase it.

BRIEF OF WILLIAM LOEB, JR., VICE PRESIDENT AMERICAN SMELTING & REFINING CO., NEW YORK CITY.

ADVISABILITY OF A TARIFF DUTY ON PIG TIN.

A tariff duty on tin is urgently needed, both as a source of revenue and as an encouragement to a new domestic industry.

REVENUE.

The annual consumption of pig tin in the United States amounts to approximately 64,000 tons (128,000,000 pounds). Over 81 per cent of this domestic consumption is supplied by foreign products, and less than 19 per cent is supplied by domestic products. The annual production of pig tin in the United States (which is derived from imported tin ores) amounts to approximately 12,000 tons (24,000,000 pounds). The annual imports of pig tin into the United States amount to approximately 52,000 tons (104,000,000 pounds). A duty of 4 cents per pound on pig tin (tin in bars, blocks, pigs, or grain or granulated) would yield an annual revenue of \$4,160,000.

CONSUMING TRADE BUT SLIGHTLY AFFECTED.

The effect of the duty on the consuming trade in the United States, assuming that the entire duty could be covered into the domestic price, would be unimportant, if not entirely negligible, for the reason that tin is used almost wholly in the form of alloys, or in such other ways as to represent but a small part of the value of the several finished products employing tin in their manufacture. Thus in the tin-plate industry only slightly more than 1½ pounds of tin is required per box of 112 tin plates, so that an increase in the price of tin plates to cover the duty would amount to no more than 3 cents per box, less than one thirty-fifth of a cent per plate, or about four-tenths of 1 per cent of the value of the finished product. The result is the same, with very slight differences in the case of all the principal tin-using industries, the chief uses of tin being, in the order of their consumption—tin and terne plate, solder, Babbitt and bearing metals, brass and bronze, foil, collapsible tubes, white metal, tinning and retinning, plated and britannia ware, pipes and chemicals.

THE DOMESTIC INDUSTRY.

Tin smelting and refining is a new industry in the United States. The first plant to be put in operation was that of the American Smelting & Refining Co., at Perth Amboy, N. J., which produced its first tin in 1916. Four other plants have since been established; that of the Williams-Harvey Corporation, Jamaica Bay, N. Y., 1918; that of the Andes Electric Co., New York, 1918; that of the Eastern Metal & Refining Co., Boston, Mass., 1918; and that of the American Tin Smelters (Inc.), Matawan, N. J., 1919. No workable deposits of tin ore from which metallic tin could be produced commercially have yet been discovered or developed in the United States. The largest amount of tin ever produced from domestic ores in a single year was 140 tons in 1916. Domestic tin smelters and refineries are therefore compelled to use imported ores or concentrates in their operations. The necessary raw material for the domestic refined tin production has thus far been obtained almost exclusively from Bolivia in the form of tin concentrates, of which approximately 20,000 tons have been imported into this country annually. The domestic tin smelting and refining industry can not survive under existing conditions, partly by reason of the nature of foreign competition and partly by reason of foreign price speculation and control.

FOREIGN COMPETITION.

The principal mining districts from which the world's production of tin ore is derived, stated in the order of their relative output in 1918, are located as follows:

	Tons.		Tons.
The Malay States and Siam	51,070	Nigeria	7,000
Bolivia	28,000	Australia	4,000
Dutch East Indies	20,200	Cornwall	4,000
China	12,000	Union of South Africa	1,500

The mine production of the Malay States, Siam, Nigeria, Australia, Cornwall, and the Union of South Africa, representing over 50 per cent of the world's tin-ore supply, is under British control or influence. The mine output of the Dutch East Indies, representing about 15 per cent, is controlled by the Dutch Government. Except for the output of China, there is thus left available for purchase by smelters in the United States only the output of Bolivia, representing from 20 to 25 per cent of the world's supply of tin ore. This ore is purchased by United States smelters in competition with the smelters of Cornwall in England, and is becoming an increasing factor in the general tin situation, since there is reason to believe that the tin interests in the Straits, or Malay field, are endeavoring to get control of this output through the advantage they would enjoy in smelting and refining the same with their native tin ore. The chief owners of tin smelting and refining, outside of the United States, are in Cornwall, England, the Straits Settlements, and the Dutch East Indies, and to a less degree in China and Australia. Tin smelters have been established in each of these centers for a great number of years, and the smelters in each locality enjoy special or peculiar advantages as compared with smelters in this country. In the Straits Settlements, for example, the smelters obtain their raw material from mines in the immediate locality, and, aside from the advantage due to their geographical location, they are protected by the laws of Federated Malay States, imposing an export tax on tin ores, but no export tax on refined tin. The sources of pig-tin importations into the United States, and the relative quantity coming from each source in 1918, may be seen from the following table:

	Tons.		Tons.
Straits Settlements	36,007	British India	534
Dutch East Indies	10,670	Chile	232
England	9,038	Canada	225
Hongkong	7,890	Other countries	5
Australia	3,787		
China	1,603	Total	71,254
Japan	1,203		

United States tin smelters and refiners can not successfully compete on terms of the same operating or purchasing costs with English smelters, much less with the tin smelters of the Straits Settlements and the Dutch East Indies. The tin smelting industry of Cornwall is centuries old; the hereditary proprietors are for the most part enormously wealthy and quite prepared to conduct their operations at a loss for long periods for the sake of ultimate gains; the direct labor cost is much less than in the United States; and the social and industrial life of the communities is so organized as to yield an indirect profit or saving to the industry. The industry in the Straits Settlements and in the Dutch East Indies is served wholly by coolie labor or its equivalent. The one advantage enjoyed by United States smelters and refiners, in respect to the treatment of Bolivian ores, rests on cheaper freights from mine to smelter, but this advantage is wholly insufficient to overcome the cheaper treatment costs of the foreign plants.

TIN PRICES.

The price of tin is governed by the price established in the London market. Although the United States consumes 50 per cent of the world's tin production, tin prices in this country follow the London price. The dominating influence of the London tin market is due to the large proportion of the total production which goes to that market for sale. Historically, tin has always been one of the most speculative commodities. Fluctuations in tin prices are regularly both violent and wide. Repeated changes in price, ranging from 5 cents to 30 cents per pound in the course of a year, constantly occur. This is due to the activity

of speculative interests in England and the Far East. In 1914, the highest price was 65 cents, the lowest 28.5 cents, and the average 35.7 cents per pound. In 1919, the highest price was 72.5 cents, the lowest 52.75 cents, and the average 65.54 cents. In 1920, the highest price was 64.75 cents, the lowest 32.5 cents, and the average 50 cents.

Tin ores in Bolivia are bought and sold on the basis of the London price and in competition with Cornish smelters. The refined tin, produced in the United States from such ores, is sold on a parity with the London price. Given the violent fluctuations in such price referred to, and a greatly depressed price following the purchase of United States smelters of Bolivian ores, and after their transportation to this country, and the production of marketable tin therefrom, at a time when English smelters have sold their production and are seeking further ore supplies, and a situation results involving heavy losses to tin smelters in this country and corresponding gains to smelters abroad.

THE DUTY REQUIRED.

As a measure solely of protection to the domestic industry a duty on tin only as metal is required (i. e., tin in bars, blocks, pigs, or grain, or granulated, or any other metallic form) and a duty of 3 or 4 cents per pound would probably suffice. No duty is needed on tin in ores, since there are probably no tin mines in the United States, and since imported ores are needed as raw material for the domestic tin production. About 20 years ago a duty of 6 cents per pound was imposed on tin in ores to stimulate tin mining in the United States, but without appreciable results, owing to the lack of tin deposits in this country.

EFFECT OF DUTY ON THE DOMESTIC TIN TRADE.

The first tin smelting and refining plant to be established in this country has involved an investment cost of over \$700,000. It has been operated since March, 1916. It has produced a total of 72,294,000 pounds of refined tin. It has introduced new and improved processes in tin refining, and its product is inferior to no tin produced anywhere. The result to date has been an operating loss of more than \$1,000,000. Under present conditions, for the reasons herein outlined, it can not continue and must shut down.

Such a duty would enable American tin producers to compete on equal terms for tin ores in Bolivia, the one source of supply for the necessary raw material now available and free; it would enable them to encourage a larger Bolivian mine output with a view to an increased production of domestic refined tin; it would aid them in an effort to enter the Chinese field as a purchaser of tin ores with a view to rendering another source of supply of raw material available; and it would insure permanence to the industry and promote its growth.

Such a duty would impose no hardship on the domestic consuming trade; it would not even be felt as an appreciable burden. To whatever extent the duty might be reflected in the price paid by the domestic buyer, he would be more than compensated by the advantages accruing from the existence in the domestic market of American producers, as sellers, in competition with foreign sellers. Furthermore, while the effect of foreign tin speculations and price manipulations could not wholly be prevented, the presence in the American trade of American producers, established on a basis of assured permanency, with a growing production capable of supplying a larger and larger proportion of the domestic demand, must necessarily tend to stabilize prices in the domestic market. Stabilized prices not only help the buyer and manufacturer by reducing the risk of losses and the cost of carry, but make for lower prices to the ultimate consumer.

Without such a duty, the tin-producing industry in the United States will cease to exist. With the elimination of American producers as sellers of tin, the domestic buyers, who take half of the world's output of refined tin, will be entirely in the hands of the dealers on the London and Singapore markets, which are more or less synonymous.

NAVAL STORES.

[Paragraph 1672.]

TESTIMONY OF CARL F. SPEH, NEW ORLEANS, LA., REPRESENTING TURPENTINE AND ROSIN PRODUCERS' ASSOCIATION.

The CHAIRMAN. Will you please state your full name to the committee?

Mr. SPEH. My name is Carl F. Speh.

The CHAIRMAN. Do you reside in New Orleans?

Mr. SPEH. Yes, sir.

The CHAIRMAN. What is your business?

Mr. SPEH. Secretary of the Turpentine and Rosin Producers' Association.

The CHAIRMAN. Located where?

Mr. SPEH. New Orleans.

The CHAIRMAN. How large is the membership of the association?

Mr. SPEH. We represent practically 45 per cent of the production.

The CHAIRMAN. You address yourself to paragraph 1672?

Mr. SPEH. Yes, sir; naval stores.

The CHAIRMAN. Naval stores?

Mr. SPEH. Yes, sir.

The CHAIRMAN. Will you proceed briefly to state your views? State to the committee first what you want.

Mr. SPEH. Twenty-five per cent ad valorem.

The CHAIRMAN. What do you get in the Fordney bill?

Mr. SPEH. Free list.

The CHAIRMAN. Explain why you desire that duty.

Mr. SPEH. The industry finds itself in a position now where it absolutely needs that protection to protect itself not only against actual imports, but potential imports from France.

Senator WATSON. Tell us what the home production is.

Mr. SPEH. The production of naval stores from 1909 to 1914 averaged 520,000 barrels of spirits and about one and three-fourths million round barrels of rosin, 500 pounds gross weight. We produced before the war 85 per cent of the total world's production. To-day it would be approximately 62. The remaining 38 per cent is produced by France, followed closely by India, Spain, Greece, Portugal, Mexico, Egypt, and Japan. France is very rapidly increasing her production. Her crop this year will probably be very close to 250,000 casks of spirits, which would be 40 per cent of our production.

Senator SIMMONS. Of what is that stuff made? I know, but I think the committee ought to know.

Mr. SPEH. It is a distillation product of the crude gum exuding from the long-leaf yellow pine, by steam distillation, with the rosin separated and put in barrels.

Senator SIMMONS. I was not aware that France produced that sort of pine.

Mr. SPEH. Yes, sir.

Senator SIMMONS. The long-leaf pine?

Mr. SPEH. What they call the "maritime pine."

Senator SMOOT. Less than 1 per cent of the turpentine used in the United States is imported.

Senator CALDER. Of what year?

Senator SMOOT. Any year that I can remember.

The CHAIRMAN. All the imports are less than 1 per cent?

Mr. SPEH. We are primarily interested in rosin.

Senator SIMMONS. I did not see any pine over there. I have seen the pines we get turpentine and rosin from in this country, but I did not see any pine like that or any pine approximately like that over there.

Mr. SPEH. There are millions of acres down in the southwest corner, in the Landes region, where they were planted to protect their vineyards from the sand dunes.

Senator SIMMONS. When were they planted?

Mr. SPEH. Probably 125 years ago.

Senator SIMMONS. Well, you know more about it than I do.

The CHAIRMAN. In view of this negligible percentage of imports, how can you reasonably ask for such a duty?

Mr. SPEH. We are primarily worried about the rosin, not the turpentine.

The CHAIRMAN. Then you are asking protection against a worry?

Mr. SPEH. That is what all of us are asking for, I believe.

Senator SMOOT. Sixty per cent of the products of the United States are exported.

Senator SIMMONS. Is that correct?

Mr. SPEH. Yes, sir; normally.

Senator SIMMONS. Is it correct that 60 per cent is exported and 1 per cent imported?

Mr. SPEH. In connection with turpentine, I believe it is correct; not in connection with rosin.

Senator SIMMONS. What is the difference between rosin and turpentine?

Mr. SPEH. The turpentine is spirits of turpentine, and is used largely for industrial purposes, while rosin is a solid material which comes from the crude gum after removing the turpentine. They are both made together.

The CHAIRMAN. What did you say about turpentine?

Mr. SPEH. It is a volatile oil that comes from the crude gum.

The CHAIRMAN. You are more worried about the turpentine than the rosin?

Mr. SPEH. We are worried about the rosin.

The CHAIRMAN. Not so much about the turpentine?

Mr. SPEH. No, sir.

Senator SIMMONS. The amount of rosin produced depends upon the amount of turpentine you distill?

Mr. SPEH. The rosin is produced along with the turpentine.

Senator SIMMONS. The rosin is produced along with the turpentine?

Mr. SPEH. Yes, sir.

Senator SIMMONS. If you produce 60 per cent of the turpentine you are likely producing 60 per cent of the rosin?

Mr. SPEH. Of the world; yes, sir.

Senator SIMMONS. Where we are importing only 1 per cent of the turpentine we will not import more than 1 per cent of the rosin?

Mr. SPEH. There is a difference in the importations. The importations for the first six months of this year have been in the neighborhood of 20,000 round barrels of rosin.

Senator SIMMONS. Have you exported as much rosin as you have turpentine?

Mr. SPEH. Do you mean in barrels?

Senator SIMMONS. I mean in an equal quantity or proportion.

Senator SMOOT. The percentage of production?

Senator SIMMONS. The percentage of production.

Mr. SPEH. Our exports last year were about 508,000 round barrels of rosin.

Senator CALDER. What were your exports the first six months of this year?

Mr. SPEH. I don't know. They are not available to me at all.

Senator CALDER. Were they as great as last year?

Mr. SPEH. I believe they are slightly less.

Senator CALDER. You imported 22,000 barrels and exported 250,000?

Mr. SPEH. Approximately; yes, sir. The small imports have controlled the price at our Savannah market, which makes the price for the world. Therefore, the importing of a small number of barrels will seriously influence the Savannah market, and sets the price abroad.

The CHAIRMAN. You want 25 per cent?

Mr. SPEH. Yes, sir.

The CHAIRMAN. The duty is now 10 per cent?

Mr. SPEH. We are not in the emergency tariff. Under the Underwood bill it is not specified.

The CHAIRMAN. The Treasury decision imposed a 10 per cent duty?

Mr. SPEH. Yes, sir.

The CHAIRMAN. Do you happen to know what the imports were under that duty?

Mr. SPEH. The last figures I have were about 11,000 barrels.

The CHAIRMAN. Fifty-four thousand pounds, of the value of \$2,840.

Senator CALDER. For what period?

The CHAIRMAN. For 1918. That is less than \$3,000 of imports.

Mr. SPEH. The conditions were different at that time than they are now.

The CHAIRMAN. We have to keep up pretty rapidly with the conditions.

Mr. SPEH. Our percentage of exports of the product are undoubtedly decreasing.

The CHAIRMAN. Do you know what the imports were for the year 1920?

Mr. SPEH. No, sir.

The CHAIRMAN. One hundred and forty-one thousand six hundred and thirty-five pounds, valued at \$7,204.

Mr. SPEH. The imports for the first six months after were considerably more than that.

The CHAIRMAN. What were they for the first six months of this year?

Mr. SPEH. Twenty thousand barrels.

Senator SIMMONS. What is the value per barrel?

Mr. SPEH. The average market quotation on rosin is about \$4 for 280 pounds, or a little over \$6 a barrel.

Senator SIMMONS. That would be how much for 20,000 barrels?

Mr. SPEH. \$120,000.

Senator SUTHERLAND. How much was exported during that time?

Mr. SPEH. I have no figures; but assuming like proportions of last year, probably 250,000 barrels.

Senator McLEAN. Do you have domestic competition in the production of rosin?

Mr. SPEH. Yes, sir.

Senator McLEAN. It is pretty sharp, is it not?

Mr. SPEH. There are about 1,400 producers.

Senator McLEAN. And your price per pound would be a little over 2 cents?

Mr. SPEH. The average probably would be about 1½ cents per pound. It varies according to the grade.

Senator McLEAN. How much does it cost to produce it?

Mr. SPEH. We are in the same position as the farmer. We have so many small producers it is hard to arrive at a definite cost figure, but I believe a fair average would be about \$55 a unit, one barrel of turpentine with the accompanying rosin.

Senator McLEAN. The margin of profit is pretty small?

Mr. SPEH. There is none under present conditions.

Senator McLEAN. You have not made much money in late years?

Mr. SPEH. They are losing money this year.

Senator McLEAN. And any imports of any consequence naturally affect you in prices?

Mr. SPEH. Yes, sir.

Senator McLEAN. It makes the buyers' market.

Mr. SPEH. We have only one market, and the importation of 1,000 barrels is immediately reflected on that market. That market sets the price not only for this country, but for the world, and it causes the domestic stocks to pile up that much more.

Senator McLEAN. And you are producing some at a loss at this time?

Mr. SPEH. I am told by the majority of the producers that they are operating at a loss.

Senator SUTHERLAND. How much rosin do you produce in each barrel of turpentine?

Mr. SPEH. For each barrel of 50 gallons we produce three and one-third round barrels of rosin, of 500 pounds each.

The CHAIRMAN. Is that all you have to state to the committee?

Mr. SPEH. Yes; with this exception: Interested along with this is the development of the wood-turpentine industry, wood turpentine, and wood rosin, and some distilled products, wood creosote. To increase that industry would mean the clearing of millions of acres of land in the South and along with it the increased values and benefits resulting from that.

BRIEF OF CARL F. SPEH, NEW ORLEANS, LA., REPRESENTING THE TURPENTINE AND ROSIN PRODUCERS' ASSOCIATION.

The Turpentine and Rosin Producers' Association respectfully urges that naval stores, now in paragraph 1672 of H. R. 7456, be given a duty of 25 per cent ad valorem, or that reciprocal duties apply to those countries levying a duty on the American product.

Rosin and spirits of turpentine, made simultaneously by the same operation, constitute what are known as "naval stores." The average annual value of the American

production is between \$40,000,000 and \$50,000,000. In quantity this amounts to somewhat in excess of 500,000 barrels (50 gallons) of turpentine and 2,000,000 barrels (500 pounds) of rosin.

Spirits of turpentine is chiefly used in the manufacture of paints, varnishes, polishes, and medicinal preparations. The chief uses of rosin are in the manufacture of soaps, paper size, paints, varnishes, printing inks, and lubricants.

Over \$30,000,000 is invested in the naval-stores industry in the United States, giving employment to approximately 50,000 Negro laborers, of a class skilled in this industry, but absolutely unskilled in other lines. Unless the naval-stores industry operates in such a way as to give employment to this large body of Negroes they become a very distinct liability to the communities in which they live.

Prior to the war the United States produced approximately 85 per cent of the world's production of naval stores. A conservative estimate to-day indicates that we are producing not more than 62 per cent, the remaining 38 per cent being supplied by the rapidly increasing production of France, Mexico, India, Spain, Italy, and other countries. The production of France has increased enormously in the past four years, amounting for the 1920-21 season to about 250,000 barrels turpentine and 875,000 barrels rosin, which was 45 per cent of the production of this country for the same period. Spain's production has doubled in the past two years, and now amounts to approximately 41,000 barrels of turpentine and is constantly increasing.

The exports for the past naval-stores year (April-April) were 73,125 barrels turpentine and 508,334 barrels rosin (500 pounds), as against an average for the 1905-1914 seasons of 359,375 barrels turpentine and 1,354,068 barrels rosin. While the imports in the past have been small, in the first six months of 1921 about 20,000 barrels of rosin were entered. This is greater than the amount for any entire previous year. In most industries such a volume of imports would have little effect. In the naval-stores industry, however, one market—Savannah, Ga.—is recognized, and this market sets the price for all naval-stores transactions, not only in this country but abroad. Under these conditions it should be apparent that the importation of even as small an amount as 1,000 barrels of rosin can have the effect of unreasonably depressing this single market. Such depression can be and actually has been carried to the point of depressing the market below the American cost of production.

It is this feature that the American producers wish to overcome, and in their opinion the only way that it can be overcome is by means of a tariff. A tariff would not raise the general selling price in this country, but it would prevent the spasmodic "bearing" of the market by importations. It is needless to point out that the prosperity of an industry is measured largely by the stability of its market. Due to much cheaper costs, foreign producers can profitably market their product in this country at a price below the American cost of production.

Protection to the naval-stores industry will result in the development of the wood-turpentine industry, which development will result in the utilization of the millions of acres of cut-over lands of the long-leaf yellow pine, as it is from the clearing of these lands that this industry obtains its raw material.

The countries which are seeking the American market for naval stores impose prohibitive import tariffs on rosin and turpentine when shipped from this country; this with a view of protecting their own industry. As a result they import but little from us and are rapidly developing naval-stores industries.

France, for instance, imposes upon imports of turpentine and rosin the following duties:

Turpentine: General tariff, 24 francs per 100 kilos (equivalent to \$0.1513 per gallon at normal rate of exchange); minimum tariff, 12 francs per 100 kilos (equivalent to \$0.0757 per gallon at normal rate of exchange). Rosin: General tariff, 10 francs per 100 kilos (equivalent to \$2.45 per 280 pounds at normal rate of exchange); minimum tariff, 6 francs per 100 kilos (equivalent to \$1.47 per 280 pounds at normal rate of exchange).

In the case of both rosin and turpentine the higher tariff is imposed on American products.

Mexico, which is becoming a large factor in the naval-stores industry, levies a duty of—

Turpentine, 0.011 peso per kilo (equivalent to \$0.179 per gallon at normal rate of exchange); rosin, 0.06 peso per kilo (equivalent to \$3.86 per 280 pounds at normal rate of exchange).

In addition to the above a 10 per cent surtax is collected.

We respectfully urge that the protection asked for herein be granted.

MASTER RECORDS.

[Paragraph 1677.]

BRIEF OF MARION DORIAN, REPRESENTING THE COLUMBIA GRAPHOPHONE MANUFACTURING CO., BRIDGEPORT, CONN.

Your petitioner, the Columbia Graphophone Manufacturing Co., of Bridgeport, Conn., respectfully petitions:

1. Remove disks of soft wax, commonly known as master records, or metal matrices obtained therefrom, from paragraph 367 of the tariff act of 1913 (classified as manufactures of wax under the Treasury decision under paragraph 374 of said tariff act).

2. That the following paragraph, which is No. 1677 in H. R. 7453, be retained in the free list, viz:

"Disks of soft wax, commonly known as master records, or metal matrices obtained therefrom, to be used in the manufacture of sound records for export purposes."

In the manufacture of sound records, which are more commonly known as phonograph, graphophone, or gramophone records, it is absolutely necessary to secure an original or master record from which to obtain copies or duplicates in any desired quantity.

This master record is recorded on a wax or waxlike disk or blank and is known in the industry as the "wax master record."

From this wax master record is obtained, by electroplating processes, a metal copy or die. The copy or die thus obtained, is known in the industry as a matrix. There are three forms of these matrices necessary in the process of manufacture of such records, viz, master matrix, mother matrix, stamping matrix.

It is from the master matrix that the mother matrix is obtained, and from the latter the stamping matrices. It is from the stamping matrices or "stampers," as they are commonly termed, that the commercial product is manufactured. A sufficient number of stamping matrices must be provided to permit of economic manufacture, the quantity varying according to the popularity of the selection to be reproduced.

It is commercially impracticable to use the wax master, the master matrix, or the mother matrix in the manufacture of the sound record of commerce.

The inclusion of these articles in the free list will enable American manufacturers to successfully compete for valuable export markets which are especially attractive in this and other respects to the United States, namely, South and Central America. Development of these countries by the export of sound records will aid greatly in the creation of markets for other lines of American manufacture.

In the development of substantial trade relations in graphophones and graphophone records with a foreign country employing a language other than English it is vitally necessary that the sound records be in the language of the country to be developed. A sound record in English would command no sale at all in a Spanish-speaking country.

In the case of musical selections or compositions the music recorded must be of the native character, type, or class.

If instrumental it must be recorded by individual performers or organizations of native repute and renown.

If vocal in character it must be sung by native vocalists or artists of native reputation and popularity.

A native air of Brazil, for example, sung by an American even of the highest artistic caliber would have no sale at all in Brazil. An Argentine native dance played by an American band or orchestra of the highest musical attainments would find no market whatever in Argentina.

For these reasons it is necessary to send recording expeditions to the foreign countries to secure native artists, bands, orchestras, and instrumentalists on the native heath and to make the recordings then and there.

The recording expeditions are sent from the United States and usually include at least two high-salaried expert record makers. In addition to their salaries they must be furnished funds for traveling and living expenses and for the rental of suitable laboratories or recording rooms for the transporta-

tion and handling of recording machinery and paraphernalia and for the fees of bands and artists whom they employ in the making of the records.

When it is considered that an expedition must remain in one country until it has accumulated a fairly representative repertoire of the music of that country, and that this may mean a stay of months of heavy daily expense, it will be apparent that the procurement of the wax masters and metal matrices is attended with much difficulty and enormous expense.

A highly important part of the paraphernalia carried on these expeditions is a large supply of the wax blanks on which the wax master is recorded.

The blank with the wax master recorded on its surface is returned to the United States as soon as a quantity sufficient to make up a shipment has accumulated, there to be put through the electroplating process.

If facilities can be found in the foreign country the electroplating is done there so as to minimize the danger of loss or damage to the wax master in transit. In such cases it is the metal matrix which is returned.

As already explained, neither of these articles can be used in a commercial way or to produce sound records in commercial quantities. They are merely preliminary steps.

As already explained, they are procured for the prime object of developing export business, and while it is true some are utilized for domestic purposes, the number is very small. If domestic needs alone were considered they would not be made at all.

The Treasury Department has ruled that these articles have been manufactured in a foreign country and in appraising the value for duty purposes considered every element of expense entering into their procurements, including cost of wax blank in the United States, expense of transporting the blank both ways, salaries and expenses of recording experts, cost of recording rooms, fees to artists, bands, or orchestras, and every other ascertainable element of cost, assessing the duty on the aggregate at 25 per cent ad valorem.

This attitude of the Treasury Department, while possibly warranted under the existing law, should be remedied by the proposed inclusion of these articles under the free list.

Otherwise the markets in South and Central America will be closed to the American manufacturer of sound records and handed over to the foreign manufacturer who has no such handicaps to hamper him.

Germany was our keenest competitor prior to the war in these countries and in this industry. With her lower production costs and her subsidies we can not hope to survive in that market if this relief is not granted.

Unless relieved from the burden imposed under the Treasury ruling American manufacturers will be faced with one of two alternatives, viz:

1. Be forced to abandon those export markets to European competitors entirely, or
2. Establish plants in one or more foreign countries where no such handicaps or burdens are imposed and manufacture there the records for export.

Whichever of these alternatives is adopted American labor will be the loser because in the manufacture of this export product large numbers of American workmen are employed and this employment would be definitely and permanently terminated. It is a fact that thousands of American workmen would be adversely affected by the happening of either of these contingencies.

As already expressed above, the products derived from these wax master and matrices are solely and exclusively for export and consequently the admission of these articles free would not in the least put them in competition with American products. In fact, the placing them on the free list would have the effect of placing American manufacturers in a position to compete successfully with foreign manufacturers for a market of very great value which otherwise will undoubtedly be closed to American manufacturers. Including them in the free list will help to create an American industry.

It is therefore respectfully and urgently recommended that these articles be admitted free of duty, and that the paragraph suggested be retained in the free list.

PERSONAL EFFECTS.

[Paragraph 1678.]

BRIEF OF E. H. SNYDER, REPRESENTING NATIONAL ASSOCIATION OF MERCHANT TAILORS, PHILADELPHIA, PA.

Regarding the proposal to increase the exemption of residents of the United States from \$100 in value, as at present, to \$250 in valuation of articles acquired abroad for personal or household use or as souvenirs or curios. (See paragraph 1678, page 200, lines 11 to 15, inclusive.)

The National Association of Merchant Tailors of America earnestly and respectfully protest against this change, for the following reasons:

1. It is distinctly class legislation, and contrary to American traditions and our spirit of fair play to permit a class of people who can afford to travel to Europe one or more times a year, to bring in each time they enter an American port, foreign purchases for personal use free of duty up to \$250, while another class, who, by force of circumstances, are compelled to stay at home, are deprived of making the same purchases in the cheaper foreign market and they must pay the current rate of import duty on all articles imported.

Americans make their money in this country. Why, therefore, should they not spend it here? And if they can afford to go abroad, they should, in all fairness, pay in duties on all articles imported by them, the difference between the lower-priced foreign market and the home market.

2. The Government is committed to reduce taxes at the earliest possible moment and as one of the basic principles of tariff laws is to increase the revenues in order to keep taxes down, why then provide in the new proposed law an increased exemption to a favored class of our citizens which the others can not share in?

Mr. W. W. Husband, Commissioner General of Immigration, in his annual report of June 30, 1921, to Hon. James J. Davis, Secretary of Labor, states that there were 222,712 American citizens entered ports of the United States during the fiscal year ending June 30, 1921. It is safe to assume that every person so entering, took advantage of at least his legal exemption of \$100 free of duty.

Assuming that these figures are correct, it represents \$22,271,200 in merchandise of foreign valuation having arrived in this country, on which the Government did not collect one penny to help lift the burden of taxation from American business. Why then increase these appalling figures by adding a further exemption of \$150.

With the constantly increasing travel to Europe, which Mr. Husband's report of 1921 indicates over 1920, it amounts to 65,539 persons, all citizens of our country. Admitting the fact that travel to Europe during the fiscal year ending June 30, 1922, may not be greater than the past year, the added exemption of \$150 would mean, on the same figures, the loss in revenue to the Government on \$33,406,800 of additional importations, the major portion of which would be on clothing.

Adding these figures together, namely, \$22,271,200 exemption under the present law, and \$33,406,800 additional under the added exemption of the new proposed law, we have a grand total of \$55,678,000 in merchandise. Only 222,712 of the total 110,000,000 people of this country will obtain the benefit of the duty-free allowance.

3. If the law as proposed is intended to protect American industry, which we believe is also a basic principle of all tariff laws, it will utterly fail of its purpose and endanger the future prosperity of many large and successful enterprises in our line as well as other lines dependent more or less upon the very trade which will go to the foreign merchant.

The cost of labor in this country averages 150 per cent more than is paid for the same class of work in England. Overhead costs are nearly treble, and woollens under the new proposed law will average 90 per cent higher. How then are we to compete with Europe if an added exemption up to \$250 is allowed the American traveler? He could purchase a year's supply of clothing on his exemption, based on their low cost of production, and bring them into this country duty free.

This would mean incalculable loss to our Government, American industries, and labor.

The records of one of the largest trade agencies state that there are 35,000 to 40,000 merchant tailors in this country and while addressing you upon this occasion, we can only directly express the sentiments of the National Association of Merchant Tailors of America, which includes representatives of the trade from Maine to California and from Canada to the Gulf. There is no doubt but that the entire industry and the employees thereof are in accord with these views.

We ask that as an economically as well as traditionally sound principle, that not only the added exemption of \$150 be withdrawn from the present proposed tariff law, but that there be no exemption of any kind under the tariff laws of the United States on articles imported on which a duty has been designated in any other part of the act, on the grounds of class legislation, inadequate protection to American labor and industry against the low cost of foreign production, and an incalculable loss of revenue to the Government which could be applied to the reduction of taxation on American industries.

LUMBER.

[Paragraph 1683.]

STATEMENT OF ROBERT B. ALLEN, REPRESENTING WEST COAST LUMBERMEN'S ASSOCIATION, SEATTLE, WASH.

Mr. ALLEN. The industry I represent, Mr. Chairman, has a production somewhat greater than the entire production of lumber for the entire Dominion of Canada in the greatest year of production that Canada ever had.

The State of Washington, east and west of the Cascade Mountains, in 1920 produced 8,841,000,000 feet of lumber.

Senator McCUMBER. In one year?

Mr. ALLEN. In one year, the year of 1920. We are here as manufacturers of a product, not asking a protective duty, because we do not need one. We are asking for the paragraph of the Fordney Act which gives the President of the United States authority to negotiate—that is, paragraph 1683—for the removal of all duties in countries imposing duties against American lumber; and, in the event of the failure of his negotiations, the President then to have the authority of imposing like or countervailing duties.

In that we differ in this issue from the so-called Canadian lumber lobby, which has been here for some months, in that they do not seem to have confidence in our Chief Executive. They want not reciprocal duties but free trade, such as we have had for the past eight years.

Senator SMOOT. You are in favor, then, of the proviso?

Mr. ALLEN. We are in favor of the proviso, Senator.

Senator WATSON. You are in favor of paragraph 1683 just as it stands?

Mr. ALLEN. Just as it stands, Senator Watson. We have had this free lumber from Canada since the tariff act of 1913. It has not cheapened the cost of lumber to the American consumer, nor has it visibly enhanced the supply of lumber for the American consumer. If we thought this paragraph or any paragraph in the tariff would increase the supply of lumber for the American consumers or give them a better price, we would renege right away; we would not urge even such a fair thing as a reciprocal duty.

We believe absolutely that the Canadian manufacturer is not particularly interested in the welfare of the American consumer, because in the fiscal year of 1913, which was prior to the effective date of the tariff act of 1913, which act, you will recall, went into effect in the fall, Canadians shipped under duty as much as they now ship free and at much less price. I will quote now from the figures of the Bureau of Foreign and Domestic Commerce. In 1913 under the old tariff act of 1909, carrying a duty of \$1.25, I think it was, on lumber,

the Canadians shipped over 1,021,810,000 feet, of an average value of \$17.59.

In 1921, fiscal year, under absolute free trade, they shipped over 919,927,000 feet, at an average price of \$42.47.

So you will see they are not reducing the price to the consumer very fast—\$17.59 under a \$1.25 duty and \$42.47 under free trade.

Senator McCUMBER. The American price has risen in the same proportion, has it not?

Mr. ALLEN. The American price raised and dropped. It raised during the temporary runaway free-spending period following the war.

Senator McCUMBER. But both raised their prices and took all they could get?

Mr. ALLEN. They both raised their prices. It was a temporary auction market. In other words, there is nothing in this talk of Canadian lumber easing up the situation in the United States. It so happens that there is more standing timber fit for lumber in the States of Washington and Oregon than in the entire Dominion of Canada. They have more timber area, more forest lands; but it is like Dakota, you can raise more bushels of wheat per acre there than you can in Alaska. A great deal of that so-called timberland of theirs is very far north. It so happens that, according to official figures, Canada has 898,000,000,000 feet of timber while the United States has 2,214,000,000,000 feet. Eliminating pulp wood in Canada, amounting to 248,000,000,000 feet, and which does not enter into this discussion, so far as we are concerned, Canada has 650,000,000,000 feet. Oregon has 493,000,000,000 and Washington has 334,000,000,000, a total of 827,000,000,000 feet. And, by the way, of Oregon's 493,000,000,000 feet, 36 per cent is in Federal reserve and the balance is owned by over 17,000 individual or corporate owners. In the State of Washington 42 per cent of the timber resources of that State are in Federal reserve and the balance is owned by approximately 11,000 individual owners.

That does not indicate that there is going to be any formidable trust or dangerous concentration of ownership.

In those two States there are 1,275 sawmills, and they compete keenly. If there ever was competition anywhere it is out there in that lumber industry.

The primary reason we are asking this reciprocal arrangement be placed in the hands of the President is this: We have never been able to understand why an American citizen who has invested his capital abroad was entitled to preferential treatment against the American citizen who has invested his capital at home and who finances American pay rolls. That is simply what we are being asked to do here by the Canadian lumber lobby—surrender all advantages to those who now have practically every advantage.

We say, "Lower the barriers; there is no justification of a tariff either way, except on shingles." That has already been presented to you.

The reason that we take this position is simply in the interest of the traditional American square deal for American industry. I want to read to you two paragraphs from a report which appeared in the Commerce Reports of the United States Department of Commerce, Monday, December 27, 1920, on the economic notes from British

Columbia, as reported by Consul General Frederick M. Ryder, of Vancouver, British Columbia. It says:

During 1919 a great number of Canadian plants were established and financed with American capital, principally to take advantage of benefits accruing under recent trade arrangements, preferential in nature, which exist between the various units of the British Empire. Others already having large interests in the Empire opened Canadian plants to distribute export orders received by the parent houses in the United States.

All manufacturers who established themselves in Canada recently have found these businesses hampered by the operation of the Canadian customs tariffs and the effect of a premium on the American dollar in Canada; and these two factors make it increasingly difficult for the American manufacturer to do business in Canada.

We find that to be a fact. There is about as much government in business over in Canada as here, but over there it is to constantly encourage rather than harass industry.

On Friday, September 23, 1921, in Vancouver, B. C., there was held a conference, principally attended by officials of the provincial government of British Columbia, for the purpose of laying preliminary plans to have the building codes of Canada so fixed as to bar American lumber. The Province of British Columbia pledged \$30,000; the lumbermen of British Columbia raised or agreed to raise \$7,000. There were at that conference Mr. Loren L. Brown, of Toronto, lumber commissioner of British Columbia; Mr. M. A. Grainger, managing director of the British Columbia Timber Industries Council, formerly the chief forester of British Columbia; Mr. R. H. Alexander, secretary of the British Columbia Lumber and Shingle Manufacturers (Ltd.); a Mr. Cox, and several other gentlemen whom my informant, who was also present, did not know.

It is also a matter of common knowledge on the coast that the Canadian shingle manufacturers assessed themselves \$100 a machine for the purpose of defeating the shingle tariff of this bill, now under consideration by your committee. That is \$47,000, if raised 100 per cent, but we have not found any trace of it unless it is partly invested in the publicity department of the so-called "Canadian lumber lobby" in the Munsey Building. I hold one of the propaganda items which has been put over by the lobby. I want to say that I do not think in the palmiest days of alien enemy propaganda has ever anything been any more rankly insidious than this stuff that has been manufactured against the American lumber and shingle industry—not even including that which was made in Germany. This particular item was given out September 7, 1921, and was pretty widely published. I have clippings here, if the Senators would care to see them.

Senator JONES. Put them in the record.

Mr. ALLEN. I will put them in the record; yes, sir. It sa s [reading]:

The American shingle congress has voted down a resolution asking a tariff on imports of shingles. The resolution was predicated on the erroneous assumption that Canada maintained a tariff against the United States shingles, which is not a fact. The great majority of shingle manufacturers are requesting that there be no tariff provision in the Fordney bill, which now provides a duty of 50 cents a thousand on shingles.

That was put out under the name of the Western Pine Manufacturers' Association. It so happened that over 200 shingle mills out there had already filed with your committee a statement which shows

that they are not but a few who desire this duty but fully 90 per cent of the industry. In addition to that, the annual meeting of the American shingle industry passed resolutions condemning the Western Pine Association for that publicity.

(The matter referred to is as follows:)

RESOLUTIONS ADOPTED BY THE SHINGLE BRANCH OF THE WEST COAST LUMBERMEN'S ASSOCIATION AT THEIR ANNUAL MEETING HELD DECEMBER 9, 1921, AT SEATTLE, WASH.

Whereas in deference to British Columbia shingle manufacturers associated in the Rite-Grade movement, the Fourth Annual Red Cedar Shingle Congress, a year ago, courteously tabled a resolution for a United States tariff on shingles; and

Whereas this act of courtesy on the part of the Fourth Annual Red Cedar Shingle Congress has been misrepresented to the Congress of the United States, the public press of the United States, and to the people of the United States, as witnesseth the attached exhibit—a statement given the public press by the Western Pine Manufacturers' Association under date of September 7, 1921, and published in full in the Oregonian, Portland, Oreg., and other papers of September 8, 1921; and

Whereas the Shingle Branch of the West Coast Lumbermen's Association, in convention assembled, deploras and condemns the Western Pine Manufacturers' Association's wilful and malicious distortion of facts concerning the shingle tariff action of the Fourth Annual Red Cedar Shingle Congress: Be it

Resolved, That, in view of the misstatements published by the Western Pine Manufacturers' Association, discrediting the American shingle manufacturer, his product and his methods, in the eyes of the public and Congress, that the shingle manufacturers of the States of Oregon and Washington can not longer permit such misrepresentation to go unchallenged: Therefore be it

Resolved, That the chairman of the Shingle Branch of the West Coast Lumbermen's Association is hereby instructed to appoint a committee of three, consisting of Mr. George A. Bergstrom, of Everett, Wash.; Mr. Neil Jamison, of Everett, Wash.; and Mr. W. C. McMaster, of Seattle, Wash., as representing the shingle manufacturers of the red-cedar shingle industry of the United States, representing approximately 90 per cent of all the cedar shingles manufactured in Oregon and Washington and 75 per cent of all shingles manufactured in the United States, to write a brief setting forth the true position of the red-cedar shingle industry of Oregon and Washington in the tariff issue; and urging the retention of the 50-cent duty of the Fordney bill by the Senate Committee on Finance: And be it further

Resolved, That said brief be prepared and filed immediately with Senate Committee on Finance in connection with tariff legislation now pending, and that a copy of said brief be sent to each and every member of the House of Representatives and to each and every member of the Senate of the United States: And be it further

Resolved, That the Shingle Branch of the West Coast Lumbermen's Association indorses the work done by Mr. George A. Bergstrom, of Everett, Wash.; Mr. Neil Jamison, of Everett, Wash.; Mr. W. C. McMaster, of Seattle, Wash.; and Mr. E. E. Case, of Raymond, Wash., in endeavoring to secure a tariff on the importation of British Columbian shingles into the United States: And be it further

Resolved, That copies of this resolution be furnished the daily press in contradiction of statements previously given the press by the Western Pine Manufacturers' Association, which association is neither producer, consumer, nor buyer of shingles.

SHINGLE BRANCH WEST COAST LUMBERMEN'S ASSOCIATION,
R. S. WHITING, Secretary.

Mr. Cooper, secretary and manager of the Western Pine Association, wrote to R. S. Whiting, secretary Shingle Branch West Coast Lumbermen's Association, Seattle, Wash., under date of December 21, 1921, saying [reading]:

My attention has been called to a resolution carried in the West Coast Lumberman adopted at the recent shingle conference in Seattle, covering the tariff. This resolution seems to be largely directed against the Western Pine Manufacturers' Association on account apparently of some newspaper items that were attributed to us. I am rather surprised at the fact that on such a slim basis the Shingle Congress would go to such lengths in denouncing our organization.

This association has never given out any publicity to the newspapers on the subject of a tariff on shingles, nor has it endeavored to discuss the matter at all.

And yet all the newspaper men in Washington, D. C., will recognize this hand-out copy as having been mailed them, ostensibly from the Western Pine Association.

And, by the way, we have no quarrel with the Western Pine Association. The membership of that association are top-notch business men, good, clean shooters. They passed a resolution against tariff not expecting that it would be used here as a basis for a lobby. They passed the resolution somewhat innocently, as members of that association have told me, and I have no reason to doubt but that they have given me the facts. [Reading resumed:]

This association [says its manager] has never given out any publicity to the newspapers on the subject of a tariff on shingles, nor has it endeavored to discuss the matter at all. In September there appeared from Washington dispatches attributing certain statements to this association. I found on investigation that these statements were connected with us on account of our position on the lumber tariff and that some zealous newspaper man in Washington was responsible. I took such steps as I could to see that there was no recurrence of any publicity connecting us with the subject, but, as the item was a short one, I did not believe that it would accomplish anything to go into the newspapers further.

It so happens, however, that this so-called lobby, when the shingle manufacturers were before your honorable committee on August 29, presented Senator Walsh, of Massachusetts, with a questionnaire on shingles designed to confuse the American manufacturers in their presentation.

Senator Walsh has furnished us with a copy of it and has stated that it was prepared by the representative of the Western Pine Association, yet the members of that association say they know nothing of it and are not interested in it.

(The remainder of the letter referred to and read in part by Mr. Allen is as follows:)

One or two of the shingle people on the coast, I believe, wrote me at the time the news items appeared, and it is my recollection that I advised them at that time that the Western Pine Association was taking no position whatever on question of a shingle tariff.

You can readily see from the above our surprise that the Shingle Congress should go to such lengths as it did in this resolution. Would it not have been better to have investigated the matter and have asked us for a statement of our position before passing this resolution? It is simply another case, as far as the public goes, of the industry's slinging mud at itself, and I can not help but feel that the whole occurrence is unfortunate. I appreciate the fact that your members undoubtedly disapproved of the news items referred to, but would it not have been fair to us to have ascertained whether they emanated from this association or whether they were newspaper mistakes?

Very truly, yours,

A. W. COOPER, *Secretary-Manager.*

Similar propaganda has occurred in the matter of supplies of lumber for railroads given out by the Canadian lumber lobby, in which it tries to connect up the tariff with the rather serious railroad problem in the matter of needing Canadian supplies of lumber, Mr. Chairman. It says [reading]:

The railroad companies are now importing the greater number of ties from foreign countries. In 1900 the Minneapolis, St. Paul & Soo Line was shipping approximately 30,000 ties monthly on its railroad, whereas in 1920 this carrier was importing onto its railroad about 30,000 ties a month.

The Pennsylvania Railroad is forced to go to South American and other countries for its ties.

It is natural that the Soo Line road would bring in its ties from Canada, by reason of its connection with the Canadian Pacific, but I could not understand why the Pennsylvania would go out of the country to get ties, so I wrote Mr. John Foley, the forester of the Pennsylvania system, and here is what he says [reading]:

The impression voiced in your letter of September 6 is the result of a press notice which erroneously announced last spring that the Pennsylvania system would undertake the investigation of South American woods for use as ties. No ties were purchased then, and there is no indication that any are likely to be any time soon.

It has been over 15 years since any ties of foreign woods were purchased for use in Pennsylvania lines. With the exception of mora and quebracho, none of those ties gave promise of possible acceptability when domestic supplies became scarce enough to enforce importation. Of course, the Pennsylvania did not try all of the foreign woods which might prove useful as ties in the United States, but my personal opinion is that the places where there is justification for their use are extremely limited. See the American Lumberman of January 22, 1921.

As a member of the committee on ties of the American Railway Engineering Association, I have recommended that we be assigned next year the job of compiling results from service tests of imported ties. This will make available from all railroads which have experimented with foreign woods the information you desire.

Then I went to the Department of Commerce, Chief of the Division of Statistics, as to the imports of foreign ties. It says here, in this propaganda, that approximately 125,000,000 ties are used annually on American roads, indicating that our own American supply is not sufficient. That seems a large figure. I have not been able to confirm it. But assume that this propaganda stuff is correct and that we use 125,000,000 ties. The Chief of Division of Statistics, Department of Commerce, says that in 1919 the importations only amounted to 462,368 and in 1920 it amounted to 1,384,026, out of an annual requirement of 125,000,000.

Senator SMOOT. Mr. Allen, what are you asking in the way of a tariff on shingles?

Mr. ALLEN. Fifty cents.

Senator SMOOT. The same as it is here?

Mr. ALLEN. Yes, sir.

Senator McCUMBER. Are you asking for a duty on anything else?

Mr. ALLEN. No; we are taking the Canadian customs tariff, Mr. Chairman, and we are asking for just the same duties as are therein imposed against American lumber; that is, if the President of the United States can not obtain the removal of duties which are against us.

Senator McCUMBER. You would prefer free trade?

Mr. ALLEN. Absolutely, yes. Free trade both ways. We would like to have access to foreign markets and in return are willing that other countries shall have free access to American markets.

Senator McCUMBER. With the exception of shingles?

Mr. ALLEN. Yes; the shingle industry is really entitled to protection.

Senator SMOOT. Is it so that Canada is still selling 80 per cent of the shingles in the United States?

Mr. ALLEN. Canada is selling 80 per cent of the shingles in the United States, and since the passage of the act of 1913 there are 200 shingle mills that have gone out of business in the States of Oregon and Washington. The Canadian production since 1913 has increased

275 per cent and 80 per cent of that production is sold in the United States. Their costs are paid in the Canadian dollar and the settlements taken in American dollar, which on the item of exchange alone they have been averaging 50 cents a thousand for the past year or so.

Senator JONES. You have a higher freight rate also, have you not, to the point of consumption?

Mr. ALLEN. We are almost down and out so far as freight rates are concerned. We are living in hope that the freight rates will be reduced so we can go on. If it had not been for the Japanese, the California market, and our ability to ship through the Panama Canal to the North Atlantic markets, we would be down and out.

The industry in Oregon and Washington employs 105,000 men normally, and is operating now with about 38 per cent unemployment. If we can get freight rates reduced in the spring we will move along and furnish ample lumber for the demands of our American trade. And, by the way, the rail rate on a car of 2-inch dimension 2 x 4s right into the city of Washington from out there, if moved now by rail, would be at least twice the value of the stuff at the mill.

Senator JONES. The rate to New York is \$1.20?

Mr. ALLEN. The rate to New York was \$1.06½, but on the 24th of December it was reduced to 90 cents. However, the water rate is lower than that.

Senator JONES. What is the rate on shingles?

Mr. ALLEN. Thirteen and a half cents higher than lumber.

Senator JONES. The previous witness here testified that the rate on shingles was \$1.20 to New York.

Mr. ALLEN. It was when they gave that testimony. It is now \$1.03½. So far as the depletion of the timber resources is concerned, Mr. Chairman, there is no necessity of even considering that, if the Congress will give us a practical national-forest policy law. Out on the west coast we have over 50 per cent of the remaining stand of merchantable timber in continental United States, and 25 per cent of that is Douglas fir. With reforestation we can give the country a permanent supply.

Senator JONES. Do we export any lumber to Canada?

Mr. ALLEN. Yes; we have shipped over there; and in the old days, when the Canadian Northwest was coming along, we shipped over a great deal of common lumber.

We are handicapped in our freight rate situation in finding markets for our common lumber. You know a tree is 75 per cent common lumber and 25 per cent clears. The clear grades will take care of themselves, but our great problem is marketing the common—a low-grade commodity of low value which can not stand high transportation charges. Right now we have a great deal of difficulty moving the common, and that means there is a lack of conservation, because when you can not sell a product, and have pay rolls to meet, we must run our plants, sell what we can at the highest possible price, and waste the balance.

Senator JONES. Then, what you really want is a tariff here to use as a retaliatory measure.

Mr. ALLEN. We want a bargaining tariff, because we believe the Canadian Northwest is coming back, and we would like to have the privilege of shipping in there and give them the privilege of shipping

in here. Let it be a matter of absolute freedom of competition. In the Fordney bill about the only dutiable lumber would be tongued and grooved stuff, such as ceiling and flooring. I have here a number of house bills, which architects have figured for me.

There [exhibiting photographs and specifications to the committee] is a house of just moderate cost—of moderate size, of eight rooms. The tongued-and-grooved stock in there would amount to 13 per cent of the total lumber bill, and here is the complete lumber bill [indicating].

Here is a house which is using a great deal of hardwood flooring, a very attractive and much larger house. There is only 810 feet of tongued-and-grooved stock in that house that would be affected by the Fordney tariff—less than 2 per cent of the total lumber bill.

Here is a bungalow of the western type, with complete lumber bill attached. There would be 2,600 feet of tongued-and-grooved stock in that house, or about 10 per cent of the total lumber bill.

Mr. Chairman, I desire to thank you, and to ask permission to read the transcript, because I realize I have talked rather rapidly and disconnectedly in my effort to make the most of my time; and I would like also to file a very short brief.

BRIEF OF ROBERT B. ALLEN, REPRESENTING THE WEST COAST LUMBERMEN'S ASSOCIATION.

Stripped of all Pharisaism, the lumber tariff question is briefly: In a law designed "to encourage the industries of the United States," shall the American who invests his money outside his country be given preferential treatment and special privilege as against the citizen who invests at home, finances American pay rolls, and pays American taxes, when the American consumer is not thereby benefited?

American lumber manufacturers are not asking protective duties. They are opposed to trade handicaps represented by tariff barriers in so far as their own product is concerned. They believe that Canadian lumber manufacturers should have free access to American markets, and that American lumber manufacturers should have equally free access to Canadian markets.

Subscribing to this principle, the West Coast Lumbermen's Association, representing an annual lumber production greater than that of the entire Dominion of Canada, asks countervailing duties as the surest and quickest method of breaking down tariff walls. It is reasonable to suppose that international altruism has yet reached the point where Canada will take off her tariff imposts without the economic etiquette involved in a bargaining tariff?

The building trade of the United States has had free access to Canadian lumber supplies for the past eight years. It has neither lowered the cost to the American consumer nor appreciably increased his supply.

If after this eight-year test free lumber had lowered the price to the American consumer or had increased the supply to any appreciable extent, or if free Canadian lumber would have any appreciable beneficial effect on the housing situation in the United States, the West Coast Lumbermen's Association would not ask even a countervailing duty.

Fallacious to the point of mendacious hypocrisy has been the bunkum publicity which the Canadian lumber lobby has put out from Washington, D. C., deceiving the public to the extent that various organizations throughout the country have passed resolutions protesting paragraph 1683 of the Fordney bill, in the apparent belief that Canadian lumber supplies are of consequence to American consumers and that high duties were going to be imposed which would bar all Canadian lumber products.

The Fordney bill on lumber simply gives the President of the United States authority to negotiate for the removal of Canadian duties, or, in the event of the failure of such negotiation, to impose equal duties until such a time as Canadian duties shall have been removed.

This provision applies almost exclusively to item 505 of Schedule A, Canadian customs tariff, which reads: "Sawn boards, planks, and deals planed or dressed on one or both sides, when the edges thereof are jointed or tongued and grooved. General tariff, 25 per cent."

It is the record of lumber manufacture that less than 10 per cent of production is run to tongue-and-groove stock. In the construction of American homes this class of stock ranges from 2 to 13 per cent of all the lumber used.

Canada exports less than 25 per cent of its lumber to the United States, which, distributed over 27 States east of the Mississippi and north of the Ohio, is not of much consequence to any one State. If Canada exported 100 per cent of its production annually to the State of New York it would not take care of that State's requirements in a single normal year. The importance of Canada's lumber supply to the United States has been greatly overestimated and misunderstood.

If Canadian supplies were entirely shut off there would be no lumber shortage in the United States nor would it affect prices of lumber in the United States. But the cutting off of Canadian lumber is not desired by the American lumber industry nor is it contemplated under the Fordney Act, which, even in the event that Canada did not remove its impost on tongue-and-groove lumber, would still permit at least 90 per cent of Canadian imports to continue to come in duty free.

To the credit of Canada, the Canadian lumber lobby, which has been spreading false propaganda concerning the lumber tariff proposals, has not been so much financed by Canadians as it has by residents of the United States who have invested in the enterprise of manufacturing cheap Canadian stumpage with cheap labor, paying manufacturing costs in the Canadian dollar and taking their settlements in the American dollar, thereby, in the item of exchange alone, making a big profit and yet not reducing the price of Canadian-made lumber to the American consumer.

In the United States a manufacturer of lumber producing logs for his operation must have from 10 to 20 years' timber supply back of his manufacturing enterprise. Timber, exclusive of plant, represents a heavy initial investment, followed by years of interest, by years of increasing local, State, and Federal taxation, plus the hazard of loss by fire and storm. In Canada the Government owns the timber. The manufacturer of this Canadian Government-owned stumpage escapes the taxes to which the manufacturer of American stumpage is subject, has no storm or fire risk, and pays the Canadian Government for the timber when logged and ready for sale to the consumer. His original investment is negligible compared with that of the American.

This is well illustrated in a paid write-up in the interest of British Columbia timber resources as an American investment, which first appeared in *Lumber World Review*, Chicago, July 25, 1917, and which has had wide distribution in pamphlet form. Summarizing the advantages of investments in British Columbia timber as against State of Washington stumpage, that publication, on page 32, says that \$300,000 invested in British Columbia will yield \$1,076,000 as against a possible \$364,000 in the State of Washington. This by reason of the factors mentioned in the preceding paragraph.

American manufacturers learn through the Canadian lumber lobby that the United States Tariff Commission now has in the hands of the Public Printer a report alleged to show that it costs more to manufacture lumber in British Columbia than it does in Washington and Oregon. The producers of British Columbia have been in possession of this information since last August, although the report is not yet a public document nor has it been available to American lumber manufacturers.

Not having had an opportunity of analyzing this unpublished report of the United States Tariff Commission, the West Coast Lumbermen's Association asks permission to review it when it does become a public document and for permission to later file a supplemental brief based thereon.

All that the American manufacturers can say now concerning this report is that the investigation was made on the basis of the year 1920, when costs were abnormal and chaotic and that it therefore can not truly depict normal competitive conditions of the present or of the future.

To show that Canadian costs have been decreased since the United States Tariff Commission made its investigation, the West Coast Lumbermen's Association submits the following newspaper dispatches:

PREWAR WAGES NOW PAID—LUMBERJACKS IN CANADA WORKING FOR DOLLAR A DAY AND BOARD.

Toronto, November 8 (1921).—Canadian lumberjacks have moved back to prewar wages with one stride. Lumbering concerns in northern Ontario and Quebec are paying them \$1 a day and their board and report that they will be able to operate on a larger scale than was considered possible a few months ago, says a dispatch to the *Toronto Globe*. Last year skilled workmen in the lumber camps received from \$60 to \$70 a month and their board.

The reduced cost of production is expected to stimulate building operations which have been halted by high lumber prices despite a housing shortage throughout the Dominion.

For \$1 a day the lumberjacks work 10 hours in the open, frequently with the temperature 10 to 20 degrees below zero, and they subsist on the plainest of fares.

SHINGLE WORKERS STRIKE—BRITISH COLUMBIA MILLS CRIPPLED BY WAGE-CUT WALKOUT.

Vancouver, B. C., September 17 (1921).—Eighty-five per cent of the shingle mills of British Columbia closed yesterday as a result of a strike of all classes of labor.

The manufacturers reduced the packers 2 cents a thousand and the other labor around the mills 10 per cent, with the result that the men all walked out.

Owners are hopeful of a settlement within the next 24 hours.

In connection with the first newspaper item, attention is respectfully directed to the fact that in Oregon and Washington woodsmen are now receiving from \$3 to \$6.60 for an 8-hour day; their quarters are comfortable, sanitary, mostly electric lighted, have shower baths, and the men sleep between clean white sheets, eat good, wholesome food, have special drying rooms for damp clothes, and are not permitted to work when the weather is particularly bad.

In connection with the second newspaper item, which was a special dispatch to the Oregonian, Portland, Oreg., it is only necessary to say that the wage cut in British Columbia shingle mills, which occasioned this strike, was made in the face of a sharp upward turn in the shingle market and after the price of shingles had advanced 25 cents a thousand.

Under the circumstances the West Coast Lumbermen's Association respectfully suggests that any report on comparable costs between Canada and the Pacific Northwest, based on conditions in 1920, is not worthy of serious consideration, and would have been equally unworthy of such consideration had the results been in favor of Oregon and Washington producers; or, in the event that the report, when it does become a public document, shall show favorable to American mills.

The author of this brief also knows definitely that in figuring costs the British Columbia manufacturer includes a profit on logs, whereas the American manufacturer includes logs only at cost. This in itself would account for the difference which the Canadian lumber lobby says the United States Tariff Commission has found in comparing the costs of the two regions.

The succinct answer as to whether free Canadian lumber has reduced the price to the American consumer is best gained from the official figures of quantity and value of Canadian lumber entering the United States the past nine years—the latter eight of which have been duty-free years. These statistics are from the fiscal-year statements of the United States Department of Commerce.

Lumber imported from Canada.

Year.	Board feet.	Value.	Average value per M feet.	Year.	Board feet.	Value.	Average value per M feet.
1913 ¹	1,021,810,000	\$17,972,712	\$17.59	1918.....	1,278,482,000	\$32,428,405	\$25.36
1914.....	892,833,000	16,936,930	18.97	1919.....	976,663,000	28,874,405	29.56
1915.....	908,668,000	17,140,333	18.86	1920.....	1,491,507,000	55,050,097	36.91
1916.....	1,200,077,000	22,437,406	18.70	1921.....	910,927,000	39,068,280	42.47
1917.....	1,165,698,000	24,062,784	20.64				

¹ For the fiscal year of 1913 Canadian lumber came in under the tariff act of 1900, absorbing a duty of \$1.25.

Cheap lumber to the American consumer is more a matter of freight rates than it is of tariff. Even with rate reductions recently instituted the freight bill on a car of boards of dimension lumber from the Pacific Northwest to the retail yards in Pennsylvania, New York, or New England, if shipped by rail, is more than two times the value of the commodity at the mill.

During this tariff discussion one of the fallacies uttered was that of conserving American forest resources by using up the resources of Canada. The latest official estimate of Canada's timber resources is 898,000,000,000 feet, including 248,000,000,000 feet suitable for pulp wood but not for lumber.

The latest official figures of the United States Forest Service on timber resources of the United States is 2,214,000,000,000 feet, or nearly three times that of the Dominion of Canada.

Eliminating pulp wood and confining consideration to timber suitable for lumber, the States of Oregon and Washington contain greater timber resources than the entire Dominion of Canada.

Canada has 650,000,000,000 feet suitable for lumber, while Oregon and Washington have 827,000,000,000 feet, of which 493,000,000,000 is in Oregon and 334,000,000,000 in Washington.

As for holding Pacific Northwest timber while the American public consumes the Canadian forest resources, such a thing is impossible.

In the first place, a great deal of the timber in the Pacific Northwest is very old—has reached maturity and is going back. It should be harvested and a new crop started.

In the second place, the lumber industry of Oregon and Washington has an investment running into many hundreds of millions of dollars. It normally pays 60 per cent of all wages annually paid in those two States. In spite of the theorists and the lobbyists, these two Pacific Northwest Commonwealths are a part of the United States, and their citizens are just as entitled to make a living as are the citizens of any other region of the United States or even Canada.

The Pacific coast region can give the Nation a perpetual supply of timber. The mild climate, heavy rainfall, and generally humid atmospheric conditions have produced forests than which there is none more wonderful in density of growth or majesty of development in the entire world. Trees more than 10 feet in diameter, towering 250 feet in height, are not uncommon, nor is it a rare instance to find more than 150,000 feet, board measure, of merchantable timber to the acre. The average is 30,000 feet to the acre; and the greatest single acre of timber ever cut in that region contained 90 trees, which yielded 585,048 feet board measure.

Reforestation in Oregon and Washington is 90 per cent a problem of keeping fires out of young growth. To get that young growth it is necessary to utterly denude the land of old growth. It has been found impractical to save present young growth in mature forests when logged, because such trees have grown up under unfavorable conditions and will not produce a good yield of timber suitable for the requirements of lumber. Such trees have much of the nature of a human being impaired or defective at birth.

The handicap to private reforestation thus far has been the problem of increasing taxation, which, from an economic standpoint, inspires quick and rather wasteful liquidation of stumpage in order that the profits of investment shall not be absorbed in taxes.

For many years it was urged that only a cutting tax, such as prevails in British Columbia, would make private reforestation possible—that was the theory of economists, conservationists, and others who condemn the present system of taxation of timber; but the lumber industry of Oregon and Washington itself has rejected that plan, because the timber which would have to be exempt from taxation for years is surrounded by civilization. In some counties in Oregon and Washington over half the taxes raised are derived from levies on timber. These taxes are needed to build roads and support schools. Timber has been the source of wealth which has enabled communities to have public improvements much beyond the normal means of those communities.

Under the circumstances the lumber industry in Oregon and Washington has concluded that it is economically impossible to segregate the merchantable timber for taxes and put it on a different basis from other property without disrupting the whole economic structure of the two States. Such being the case, the timber owners are opposed to the creation of a special class for them and insist that merchantable timber be treated on the same basis of all other real estate.

They do, however, believe that the younger forests coming on under practical reforestation should carry a nominal annual tax on the land, with the timber to be taxed in full when cut. That would relieve the private owner of confiscatory carrying charges for from 40 to 60 years, as the young growth achieves marketable maturity.

In passing it may be well to note that 36 per cent of the standing timber in Oregon and 42 per cent of such timber in Washington is in United States forest reserves, a great deal of which is overmature and in need of marketing, notwithstanding the self-interest inspired suggestion of the Canadian lumber lobby that the people of the United States shall first devastate Canada's forests.

The United States Government is the largest single owner of timber in the Pacific Northwest. In Washington there are 11,000 individual owners and in Oregon more than 17,000.

In connection with the 50-cent protective duty on wooden shingles, West Coast Lumbermen's Association indorses the position of the American shingle manufacturers in urging said duty, for the reason that since the passage of the tariff act of 1913

the shingle production of British Columbia has increased 275 per cent, while upward of 200 shingle mills have gone out of existence in the States of Washington and Oregon.

Eighty per cent of the British Columbia shingle production is marketed in the United States, with costs paid in the Canadian dollar while settlements are taken in the American dollar, thereby netting the British Columbia shingle manufacturer a profit averaging 50 cents a thousand during the past year in the item of exchange alone.

Since the passage of the tariff act of 1913 official figures of the United States Department of Commerce show that the cost of British Columbia shingles to the American consumer has increased 144 per cent.

The Canadian lumber lobby, in propaganda issued from Washington, D. C., has quoted from transit lists to show that British Columbia shingles have sold in United States markets for less than the American product. Such lists constitute an inaccurate comparison in that they were made up of cars shipped unsold and which were either at or nearing the point of diversion without a buyer. The price was, therefore, reduced as an inducement to sale before such cars should go on demurrage or before the shipper should be forced to absorb unloading and storage charges.

STATEMENT OF E. BRUCE HILL, PITTSBURGH, PA., REPRESENTING NATIONAL RETAIL LUMBER DEALERS' ASSOCIATION.

Mr. HILL. We are in favor of free lumber. We represent different branches of the lumber industry, and I would like just a few minutes to state to you a few facts, and the figures about this lumber industry we will leave to Mr. Conn.

The former speaker has said there is a "Canadian lumber lobby" working here on this lumber tariff.

Senator SMOOT. You do not doubt it, do you?

Mr. HILL. I do not know anything about it. I am only speaking for myself.

Senator SMOOT. Then, do not try to inform us.

Mr. HILL. I want to inform you about myself. I do not belong to it, because I come here representing the National Retail Lumber Dealers' Association, and I do not think anyone can accuse the retailers of this country of belonging to any Canadian lobby. I come here representing that association, which is made up of members from the large yards in the big cities of our country, and I also come backed by resolutions from the Northwestern Lumbermen's Association, the Southwestern Lumbermen's Association, the Wisconsin Retail Lumbermen's Association, the Pennsylvania and Ohio Lumbermen's Association, the Massachusetts Lumbermen's Association, the Minnesota State Association, the Northern Hard Wood Manufacturer's Association, the New York Wholesalers, and also the Federation of State Associations of the country; and I can say to you that I think the retailer comes nearer to the consumer than any other branch of the industry, and I can safely say to-day there is a very strong sentiment in this country on the part of the retailers, I am sure, and also on the part of the consuming public against any tariff on lumber.

The protection feature and the revenue feature I am not going to say anything about. There are some figures we would like to give on that, and I have asked Mr. Conn, who will come later, to give those.

I would like just a word to you, however—

Senator WATSON (interposing). Are you objecting to any feature of 1683 as written here?

Mr. HILL. Yes; we are objecting to 50 cents on shingles, and I would like to say a word to you on the reciprocity features, which

seems to us to be retaliation. It appears to us that that will work out this way: If Canada should take her tariff off of lumber, the American manufacturer has a wider market for his lumber. That will undoubtedly mean higher prices in this country: If we should put on a 25 per cent tariff, which the Canadians have on now, that would mean \$7 a thousand on lumber, which would raise the price.

We are particularly interested here in the resumption of house building in this country. We feel that it is most necessary, both from a social, moral, and financial standpoint, and we can not see any way to get that industry back on its feet except by cutting the prices of building down, and we can not see any way of cutting the prices of building down by adding such things as a tariff to the materials.

Lumber is one of the principal items in building. It is a very important item in a great many parts of the country, and we feel that anything that will tend to raise the price of this lumber ought to be combated vigorously.

Senator WATSON. You want free shingles?

Mr. HILL. Free shingles and lumber. We are going farther away every day for our lumber. Formerly we got our lumber in Pennsylvania from Pennsylvania and in New York we got it from New York; in New England we got it from New England, while to-day we are bringing it from all parts of the country, and we are having to go farther every day, which, with increased freight rates, means a continual advance in the price of lumber, which means that building is costing more and more all the time.

It will only be an added burden to that lumber bill to have a tariff imposed on Canadian lumber.

Senator SMOOT. You think it is fair, do you, that the Canadian Government should put a duty on lumber to keep out American lumber just across the border, and then we have free lumber and let their lumber come in here; that is fair, is it, to America?

Mr. HILL. I believe that we need all the lumber we have in this country. We are rapidly depleting our timber reserves in this country.

Senator SMOOT. This is not answering the question.

Mr. HILL. It is answering it in an indirect way.

Senator SMOOT. Very indirect.

Mr. HILL. I feel that we ought to conserve all of our lumber in this country. I believe it would be a good thing if we did not export any lumber, if we would keep it all for our own uses, because, if these statistics that we are getting to-day are anywhere near true, some of us are going to see the day when we will not have any lumber left in this country from a practical standpoint and we will be importing nearly all of it.

Senator McCUMBER. I think, apropos the point you are making now, this little statement might apply. A year ago I had occasion to go up to the Mackenzie River, in Oregon, through the Government reserve, where they were putting a road through, and at that place they were piling up the logs, paying \$1.50 to just get them out of the way where they could be piled up so they could rot—logs some of them 6 feet in diameter, trees that were 200 feet high; and there was no sale for them. They could not haul it to the market and manufacture it into lumber and sell it, because they could not receive

a price at the present price of labor that would enable them to saw that up and put it on the market, even though they did not have to pay 1 cent for the stumpage.

Senator JONES. Was not that just the timber out of the right of way for the railroad, and not enough of it in one place to justify the building of a mill and providing transportation?

Senator McCUMBER. You never saw such heavy timber in your life, and it runs 60 miles through the timber country, the heaviest timber piled up 10 or 15 feet high on each side of the right of way.

Mr. HILL. A tariff would not have helped that condition.

Senator McCUMBER. An adequate selling price for the lumber might have helped it.

Senator JONES. At that time was not lumber higher in this country than ever before?

Senator McCUMBER. So was labor.

Mr. HILL. In Pittsburgh we use a great deal of white pine for pattern work, outside of house work, and it has gotten almost impossible to find in this country to-day sufficient to satisfy the requirements. We have to go to Canada for it. We will take it wherever we can get it. We have to hunt around from retailer to retailer to get enough to supply our wants.

Senator JONES. How does the price of lumber compare with the prices in 1912?

Mr. HILL. Do you want me to speak of the country? I might speak of Pittsburgh, with which I am familiar.

Senator JONES. Take Pittsburgh.

Mr. HILL. The prices of lumber in Pittsburgh to-day, I would say, are about \$12 a thousand higher than they were in 1912. Lumber that sold for \$30 there is selling at \$42 to-day, which will make it clearer to you.

About one-half of that increase, however, is due to the advance in freight rates; about \$6 or \$7 of that \$12 is due to the advance in freight rates between 1912 and to-day. So, I would say, it was probably selling for \$6 a thousand more, or about 20 per cent more than it was in 1912.

Senator McCUMBER. Then, lumber has not advanced anywhere nearly as much as other commodities?

Mr. HILL. It advanced, but it came back since the war. Lumber has been reduced considerably since the war. It has been reduced more than any other building material.

Senator McCUMBER. I mean, compared to prewar and the present price, it is not nearly as high now as compared to other commodities.

Mr. HILL. I think not, especially as compared with labor, if we are talking about building. We feel we can not get labor down to where it ought to be or where we would like to have it; and that is all the more reason why we are trying to keep materials down.

Senator JONES. What branch of labor?

Mr. HILL. Some of them more than others; I am speaking now of building labor; and skilled mechanics in this country are scarce.

Senator JONES. The most part of the cost of lumber and shingles is labor. If you can not get your labor down, what do you think of the man who produces lumber and shingles? He can not get his down any more than you can.

Mr. HILL. That is no reason why he should not keep it down so far as he can. We are making every effort to keep the price of lumber down; there may be other features, but we want lumber to be just as low as we can get it.

Senator JONES. If everything was as near prewar prices as lumber is, there would not be very much fault to be found in the United States?

Mr. HILL. There would not; no, sir.

Senator JONES. Are there any hardwoods produced in Canada?

Mr. HILL. Yes; there are some.

Senator JONES. Those hardwoods in Canada come in competition with the hardwoods of the United States?

Mr. HILL. I think they come in competition with the hardwoods in Michigan and Minnesota; yes, sir.

Senator JONES. What about the prices of hardwood lumber; how have those prices varied?

Mr. HILL. The prices on hardwood lumber are higher than the softwood lumbars, because hardwood is getting very scarce. It is much more scarce in comparison than soft woods; it is being rapidly depleted in this country.

Senator JONES. Take the price of oak flooring. How have those prices varied prior to the war, during the war, and now?

Mr. HILL. Oak flooring has fluctuated about as much as anything I know of in the lumber industry. Of course, the high point was after the war, during 1920.

Senator JONES. How high did white-oak flooring get?

Mr. HILL. Depending on the grade, oak flooring was up around \$200 a thousand in Pittsburgh.

Senator JONES. What is it now?

Mr. HILL. It is now something over \$100. It was down to about \$80, and then went back again to about \$100.

Senator JONES. Do you remember the price of that in 1912?

Mr. HILL. No; I do not; but I think it was somewhere around \$40.

STATEMENT OF DONALD D. CONN, MINNEAPOLIS, MINN., REPRESENTING WESTERN PINE MANUFACTURERS' ASSOCIATION.

Mr. CONN. My name is Donald D. Conn, Minneapolis, Minn. In this proceeding I represent the Shevlin, Carpenter & Clarke Co., of Minneapolis, manufacturers of lumber, and the Western Pine Manufacturers' Association, Portland, Oreg. This association comprises 65 sawmills west of the Cascade Mountains in Oregon and Washington, and also the sawmills in Idaho and Montana.

In so far as shingles are concerned, I represent the Northwestern Lumberman's Association.

I have also been requested to file with the committee a letter setting forth the views of the J. Neils Lumber Co., Libby, Mont. They are manufacturers of lumber and are opposed to any tariff on these wood products. They have not a penny invested in Canada.

LIBBY, MONT., December 2, 1921.

DONALD D. CONN, *Washington, D. C.*

DEAR SIR: I understand you are going to Washington, and in case you appear before the Finance Committee, I wish you would advise them of our unqualified opposition to a tariff on lumber from Canada. We have no interests there nor in any other foreign country, but Canadian competition has never hurt our business in any way,

and placing any clause in the tariff which would eventually mean a duty on finished lumber can not be justified from any angle. A tariff would serve to upset market conditions and probably decrease our order file. The proposed duty on shingles is a monstrosity and evidently put into the bill to protect cedar loggers. These coast loggers will simply take up the amount of the duty in their price on cedar logs, which has always been too high. I understand that west coast shingle and lumber men are opposed to these duties and opposed to requesting them. Cooperation and the goodwill of Canadian manufacturers is needed, not protection.

Yours, truly,

WALTER NEILS, *Treasurer.*

Mr. F. R. Todd, vice president of Deere & Co., Moline, Ill., expresses the opposition of that company to a tariff on lumber in a letter which is as follows:

MOLINE, ILL., December 23, 1921.

Mr. DONALD D. CONN, *Washington, D. C.*

DEAR SIR: We understand that you are going to appear before the Senate Finance Committee in the near future with reference to the importation of lumber from Canada free of duty.

We are very much interested in the elimination of duty on lumber coming into the United States from that country. Some of our factories are large consumers of lumber. We have one, particularly, making grain drills, located at Horicon, Wis. Lumber is a very considerable item, and any factor tending to reduce its cost would enable us to supply the American farmer at a lower price. The duty upon Canadian lumber is such a factor.

In addition to this, Canada is a very large purchaser of American products. The balance of trade runs strongly in our favor, which handicaps us in that market because of the high rate of exchange. We should provide some outlet for Canada's products in order, as far as possible, to maintain a satisfactory trade relationship. Naturally, it is much better that this outlet should be of Canada's raw material than of her finished product. The importation of lumber to this country affords Canada a way of paying her debts to us for our manufactured products. To restrict this importation is to indirectly affect the interests of American industry exporting manufactured products to Canada.

Yours, very truly,

DEERE & CO.

Senator JONES. Let me ask you right at this point, so as to get it in the record, what is the Canadian tariff on lumber?

Mr. CONN. It is now 25 per cent ad valorem on lumber finished on more than one side; rough lumber free.

Senator JONES. And shingles?

Mr. CONN. Shingles are free.

Senator SMOOT. Mr. Conn, what are you asking for?

Mr. CONN. I am asking for the elimination of the retaliatory clause, under paragraph 1683, and the elimination of the 50-cent tariff on shingles, paragraph 408.

I am also asking for free logs, paragraph 402, and free ties, paragraph 405.

Senator McCUMBER. You want free shingles?

Mr. CONN. We want free shingles. I might say that the Northwestern Lumbermen's Association comprises 2,800 retail lumber yards in the States of Iowa, Nebraska, Montana, North and South Dakota, and Minnesota; and in so far as they are concerned I speak on shingles.

Mr. Allen, who was just before this committee, stated that there was in Washington a Canadian lumber lobby. If that is true, I am the lobby, because I have been opposing these tariffs. It is not true and never has been true. His charges border on the sensational—but he offers nothing to prove what he says. He leads you to believe that a press statement issued in Washington purporting to have originated with the Western Pine Manufacturers' Associa-

tion was influenced by British Columbia shingle operators. This is the basest kind of falsehood, and I have no doubt but what these Canadians will advise you very fully directly and officially regarding this accusation.

To clear the record in this proceeding permit me to state that to my own knowledge the Western Pine Association's representative in Washington was also representing the Northwestern Lumbermen's Association at the time the shingle tariff advocates were before your committee in August, 1921. Both the press statement and the set of questions referred to by Mr. Allen were erroneously but entirely unintentionally given out under the name of the "Western Pine Manufacturers' Association," and should have been given out under the name of the "Northwestern Lumbermen's Association." As quickly as this error was discovered it was corrected. The Western Pine Manufacturers' Association adopted resolutions opposing a tariff on lumber, and they are opposed to the present retaliatory clause. Moreover, the subject matter given out in the statement referred to by Mr. Allen was a correct representation of the facts. Last December the American shingle congress did vote down a resolution calling for a shingle tariff, and this action was not changed by this Congress until this December, subsequent to the time the statement referred to was made. Mr. Allen utilizes these subsequent actions of the shingle tariff advocates to disprove a statement made in the past. Mr. Allen also introduces a resolution prompted by the few shingle tariff advocates condemning the Western Pine Manufacturers' Association, and this also takes for its basis events which developed subsequent to the issuing of the statement which it condemns. An action taken yesterday might not be the action of to-day. It is a significant thing that these shingle tariff advocates spend more time holding meetings, passing resolutions, and crying "Canadian lobby" than they do in presenting facts or something to substantiate their position with cold facts, so they must resort to the sensational. They prey upon, and seek to capitalize, an error in name—a matter not pertinent to the issues involved. Mr. Allen's entire presentation was devoid of facts—he gave you no information as to production costs, selling prices, etc. He mentioned not one factor to support a duty on shingles—just said he wanted one.

The "Canadian lumber lobby" term originated with Mr. Allen when he was here trying to put through his reciprocal provisions, so I am informed. He originated the scheme and sent a printed statement to every member of the Senate and House telling them about it. He sent a circular to his membership, which I will introduce, charging his personally originated "Canadian lobby" with influencing the report of the Federal Trade Commission on the West Coast Lumbermen's Association. Highly sensational, but lacking in proof. I have never met a single Federal Trade Commissioner nor have I ever discussed their report or any part of it before or after it was issued with a single employee of that commission.

I would like to explain briefly exactly what interests the people I represent have in Canada; in other words, I want to lay my cards on the table. The Shevlin, Carpenter & Clarke Co. has about 8 per cent of its financial interests at Fort Frances, opposite International Falls, Minn., in the manufacture of white pine; the Western Pine Association have, I believe, 4 out of 65 mills interested in British

Columbia, one of them a small one in the Crows Nest district, British Columbia, that ships very little lumber into the United States; another one which owns timber in British Columbia but does not cut it for lumber, but rather pulp wood, at Powell River, British Columbia. Two other interests in the Western Pine Manufacturers' Association—one is interested in Manitoba stumpage and the other interested in Ontario stumpage, neither of which compete with the products of the West Coast Lumbermen's Association.

That is the sum total of the interests which I honestly know of which are interested in Canada.

I have no doubt at all, gentlemen, that there are some retailers in this country who have certain interests in that country, just like our manufacturing interests in many lines, but I do not know of them.

Senator SMOOT. You want to speak on paragraph 404, hardwoods?
Mr. CONN. No, sir.

Senator SMOOT. There is a mistake, then, in our published calendar.

Mr. CONN. I would like to present a brief referring to paragraph 1683, on lumber.

Senator McCUMBER. You may do that.

(The brief referred to is as follows:)

CONN EXHIBIT No. 1-A.

STATEMENTS OF FACT—A REQUEST THAT THE RETALIATORY CLAUSE ON LUMBER NOW INCORPORATED IN THE FORDNEY BILL BE ELIMINATED—THAT ALL LUMBER BE PLACED UPON THE FREE LIST WITHOUT QUALIFICATION.

The Fordney bill as passed by the House contains a retaliatory provision on dressed lumber. There is no sound basis upon which this provision or any other form of tariff can be justified. There is every just reason why all lumber should be placed upon the "free list" without qualification.

While analyzing items K and L, attention should be directed to the fact that as the timber in near-by regions is cut away the general delivered price level steadily increases due to higher mill prices fixed by the law of supply and demand and to higher freight rates as distances increase.

	Per 1,000.	
	Per cent.	Amount.
Example for paragraph K:		
Average short-haul freight rate southern pine to the southern consumer.	23	\$6.90
Average long-haul freight rate Pacific coast to southern consumer.....	97	29.10
Increase in price to southern consumer who must import from Pacific coast due to freight rates alone.....		22.20
Example for paragraph L:		
Present rate from the South to Chicago.....	42	12.60
Present rate from the Pacific coast to Chicago.....	73	21.90
Increase in price due to increased freight rate in buying lumber from the coast as against the South.....	31	9.30

The Southern Pine Association estimates that 81 per cent of their mills will be cut out in five years.

Not one single argument advanced by the small minority in favor of the retaliatory clause or in favor of a tariff on shingles can be substantiated by the facts.

Your petitioners respectfully request that all lumber be placed upon the free list without qualification, and the entire duty on shingles be removed (see shingle brief). Substantiation of the statements made herein will be found in the brief appended hereto on the pages indicated in the right-hand column.

Respectfully submitted.

DONALD D. CONN.

COPY OF RETALIATORY CLAUSE NOW A PART OF FORDNEY BILL.

Provided, That if there is imported into the United States any of the foregoing lumber, planed on one or more sides, and tongued and grooved, manufactured in or exported from any country, dependency, Province, or other subdivision of government, which imposes a duty upon such lumber exported from the United States, the President may enter into negotiations with such country, dependency, Province, or other subdivision of government to secure the removal of such duty, and if such duty is not removed he may by proclamation declare such failure of negotiations, and in such proclamation shall state the facts upon which his action is taken together with the rates imposed, and make declaration that like and equal rates shall be forthwith imposed as hereinafter provided; whereupon, and until such duty is removed, there shall be levied, collected, and paid upon such lumber, when imported directly or indirectly from such country, dependency, Province, or other subdivision of government, a duty equal to the duty imposed by such country, dependency, Province, or other subdivision of government upon such lumber imported from the United States.

CONN EXHIBIT No. 1.

BRIEF OF THE SHEVLIN, CARPENTER & CLARKE CO.

In opposition to any tariff upon lumber, whether rough or finished, tongued or grooved or otherwise—and in opposition to any reciprocal or retaliatory provision which in effect places a heavy duty upon finished lumber—the product utilized in home building. Retaliation, if successful against any foreign country, means the broadening of the markets of our domestic manufacturer and a generally higher level of lumber prices. Why should the United States—with only 50 years of timber supply—build up a foreign country to the detriment of its own peoples? A retaliatory tariff, if successful, will have just this effect.

There is less than 20 years of white pine remaining in the United States.

[Submitted by Donald D. Conn, assistant to the vice president, Aug. 1, 1921.]

STATEMENT OF FACTS—SUMMARY AND INDEX.

A bounty on the importations of lumber can be defended more easily than a tariff. Excepting a few hardwoods of value, Canada is the only country exporting lumber to the United States.

Any tariff is indefensible, because:

Protection.—The average labor costs are higher in Canada. There is no difference in the stumpage values of the same species of wood in Canada and the United States. The total cost of production are higher in Canada. The Canadian manufacturer does not undersell the United States manufacturer in the United States market. The United States manufacturer competes successfully with Canada in foreign markets—it follows he can do so in the domestic market.

Timber depletion.—Canada has more standing timber per capita than has the United States. The United States is using its timber four times as fast as it is growing it (Chief Forester's report, June 1, 1920, p. 3.) A tariff on Canadian lumber constitutes an absolute restriction of the work of our Forestry Department in their efforts to perpetuate our remaining supply of timber, for which work Congress appropriates about \$7,000,000 annually. The greatest amount of revenue which could possibly be derived from lumber importations would not exceed a million and a half to two million dollars a year. Unless a definite forestry program shall be established and the free importation of lumber permitted, this country will face a timber famine within 50 years (American Forestry Association). There is less than 20 years of white pine left in the United States (Chief Forestry in report on Senate resolution 311, June 1, 1920). Timber depletion analyzed by sections. The South, which in 1920 produced 45 per cent of all lumber consumed and 78 per cent of all pine lumber, will become an importing section in 10 years (Chief Forestry in report on Senate resolution 311, June 1, 1920). Higher mill prices accentuate timber depletion. "Every tree imported into this country means a tree saved of our own supply."

Housing and uses of lumber.—This country is short one million and a quarter homes. We can not defend any piece of legislation which will increase the cost of home building. The lumber imported from Canada is consumed in the highly populated States of the Middle West and East and its importation acts as a price stabilizer in those sections. Fifty per cent of the country's farms are underbuilt and the high prices of lumber existing during the past three years have been, in the main, responsible for this condition (report of the Chief Forester in reply to Senate resolution 311). Any tariff on Canadian importations will reflect an increase in the United States' manufacturers' mill prices. Study of the resultant increase in cost on the average dwelling or barn. A tariff on lumber is detrimental to the interests of American labor.

Our trade relations with Canada.—Canada buys twice as much from the United States as does the United States from Canada. Being our greatest customer, is it sound business to build a tariff wall against the few commodities which Canada can export to us without detriment to our own production, thereby aiding her to rehabilitate the adverse exchange rates and repay the United States in part at least, for the magnificent volume of business which she gives to our own manufacturers?

Hardwood.—Answer to the request of the Michigan hardwood manufacturers for a retaliatory tariff against Canada.

Retaliation or reciprocity.—True meaning of reciprocity—how it may be applied to promote beneficial results to the commerce of both Canada and the United States.

Appendix.—Position of manufacturers; distributors and consumers who oppose any tariff reciprocal or retaliatory provisions.

WAGES IN THE LUMBER INDUSTRY, UNITED STATES—CANADA.

The average wage paid to common labor in the United States during 1920 was \$3.88 per day; in Canada, \$4.82 per day. The average wage paid to common labor in the United States at the start of the 1921 season is \$2.86 per day; in Canada, \$3.37 per day.

Authority: Based upon the lumber cut of each producing section of each country and upon the hours of labor and rates of pay existing in each producing section of both countries. The lumber cut was taken from United States Department of Agriculture Bulletin No. 845 (1918, latest available figures) and the Canadian lumber, cut by regions, was taken from Reports of the Dominion Bureau of Statistics of Canada (1919, latest authentic report). Predicated upon the cut in each section of both countries, as above indicated, and upon the actual wages paid in each producing section of both countries during 1920 and 1921, the above production average was deducted.

The average of the wage scales for the same classification of labor is higher in western Ontario than in Minnesota.

Wages per hour.

	1919		1920		1921	
	Bemidji, Minn.	Fort Frances, Ontario.	Bemidji, Minn.	Fort Frances, Ontario.	Bemidji, Minn.	Fort Frances, Ontario.
Average, 23 classes of labor.....	\$0.470	\$0.470	\$0.587	\$0.598	\$0.413	\$0.478
Common labor.....	.400	.400	.500	.500	.360	.400

Mills in western Ontario pay their labor in American money.

(Authorities: Actual wage scales of the Crookston Lumber Co., Bemidji, Minn., and the Shevlin Clarke Co., Fort Frances, Ont., Canada.)

The wages paid for common and skilled labor on the North Pacific coast in the fir district, west of the Cascade Mountains, per hour at the present time are not uniform in any of the plants. The scale adopted by the organization known as the Loyal Legion of Loggers and Lumbermen, which association comprises representatives of the employees and employers, calls for a standard wage for common labor of 45 cents per hour in the territory west of the Cascade Mountains and 40 cents per hour for common labor east of the Cascade Mountains. Much labor is being secured at rates less than those, as is portrayed in the following extract in letter from A. W. Cooper, manager Western Pine Manufacturers' Association, Portland, Oreg., under date of April 19, 1921:

"I believe there are a good many mills that are down to \$2.60 per day per 8-hour day for common labor and that in a few instances mills are even lower than this."

Note.—\$2.60 per day is equivalent to 32½ cents per hour.

The wage being paid at the present time by the Vancouver Lumber Co., of Vancouver, British Columbia, for common labor is 35 cents per hour for 10 hours, which includes the average of both foreign and domestic labor.

(Authority: Fourell wage scales of the Loyal Legion of Loggers and Lumbermen, adopted on the North Pacific coast and operating reports of Vancouver Lumber Co. submitted through the managing director of the British Columbia Timber Council.)

The existing wages being paid in Minnesota for common labor is 35 cents per hour; in Louisiana, 17½ cents per hour; Florida, 18½ cents per hour; California, 35½ cents per hour; and in western Ontario, 40 cents per hour.

Speaking of the existing common labor basis in the South, Mr. J. E. Rhodes, secretary of the Southern Pine Association, speaking before the annual meeting of that organization, at New Orleans, April 7, 1921, stated:

"The common labor rate varies in different sections and ranges from \$1.50 to \$2.40 per day."

(Authorities: Brooks-Scanlon Co., Kentwood, La.; Brooks-Scanlon Corporation, Eastport, Fla.; Shevlin-Clarke Co. (Ltd.), Fort Frances, Ontario; Feather River Pine Manufacturers' Association, California.)

In most cases the above quotations for common labor were taken from the wage scales of these companies or from the wage scales for the associations to which they belong.

Approximately 45 per cent of the total consumption of the United States is produced in the South on the basis of \$1.50 to \$2.40 a day for common labor. It is with southern pine which the British Columbia fir manufacturer and the Ontario pine manufacturer comes into competition in the markets east of the Mississippi River, and Canada has no labor, oriental or otherwise, comparable to the cheap Negro labor of the South.

The impression that British Columbia makes extensive use of oriental labor in competition with white labor of Oregon and Washington is disproved by the following statistics:

Total employment in lumbering and shingle industry of British Columbia....	18,000
Number of orientals.....	4,680
Total number of orientals in Oregon and Washington.....	28,964
Total number of orientals in the logging, sawmill, and shingle mills of Oregon and Washington, approximately.....	6,000

It is estimated that Oregon and Washington employ more orientals in the logging, lumber, and sawmill industry than does British Columbia.

(Authorities: No absolute information as to the infusion of oriental labor in the lumber industry of Oregon and Washington; Oregon figures estimated by the Western Pine Association, Portland, Oreg.; and Washington figures taken at much less ratio to be conservative. Other data secured from Oregon State Labor Bureau through the Western Pine Association and from the British Columbia Timber Council.)

The United States produces annually an average of 40,000,000,000 board feet and imports from Canada an average of 1,000,000,000 board feet. Only about 300,000,000 board feet of this Canadian importation comes from British Columbia.

Only 26 per cent of all the labor employed in the logging, lumber, and shingle mills of British Columbia is oriental. Based upon the above percentage of importations in 1920 and contrasted with our total consumption of approximately 36,000,000,000 feet during 1920, only thirty-nine thirty-six thousandths of our total consumption was manufactured entirely by oriental labor in British Columbia.

STUMPAGE VALUES.

Timber in Canada is sold at public auction, not unlike the methods of sales employed by various States; accessibility largely governs the price. In addition to the price bid for timber in Canada, dues are charged which range from 50 cents to \$2.50 per 1,000 feet, determined by species of wood. The Crown reserves the right to advance the dues if the lumber market warrants it. The purchaser in Canada only buys the right to cut the timber; he never owns the land. In the United States large profits have been made on the sale of cut-over properties, which are eventually cleared and utilized for agricultural purposes. In Canada the land reverts to the Government after the timber is cut away.

Statement of the ranges of values for pine stumpage in Ontario and Minnesota.

[Compiled from reports of the Ontario Government and the State of Minnesota—period taken is comparable—1920. Unit price per 1,000 feet.]

Ontario.			Minnesota.		
Date of sale.	Area.	Price.	Date of sale.	Footage.	Price.
	Sq. mt.				
Mar. 1, 1920.....	2	\$10.50	July 20, 1920.....	30,000	\$15.00
Mar. 10, 1920.....	1	23.50	.....do.....	210,000	13.50
July 14, 1920.....	11½	20.00	.....do.....	24,000	20.00
Aug. 2, 1920.....	36	20.00	.....do.....	4,000	10.00
Aug. 16, 1920.....	81	10.50	.....do.....	61,000	19.25
Oct. 1, 1920.....	3	22.50	.....do.....	2,000	8.00
Do.....	2	6.00	.....do.....	70,000	20.00
Sept. 20, 1920.....	1 160	5.05	.....do.....	276,000	24.15

¹ Acres.

White-pine stumpage brings the same prices in Canada for the same relatively good locations as it does in Minnesota.

The above lists of sales were taken from the records in rotation as they appeared.

WESTERN STUMPAGE VALUE.

The following telegram is explanatory. It is dated at Portland, Oreg., May 25, 1921, and is signed by the Western Pine Manufacturers Association:

"Best quality spruce stumpage two fifty and three dollars. Government just sold some in southern Oregon at one seventy."

The report of the forest branch of the department of lands of the Province of British Columbia for 1920, page H-15, shows the average sales during 1920 of spruce stumpage brought \$2.05 per 1,000 feet. To this must be added \$1.12 dues. Total, \$3.17.

Oregon and Washington, \$1.70 to \$3; British Columbia, \$3.17.

TOTAL COSTS OF PRODUCTION.

1. The average costs of production are higher in Canada than in the United States. Comparing the lumber-producing districts in Canada with those in the United States which manufacture the same relative grades and species of wood, the following concrete comparison is conclusive:

A.—Cost per 1,000 board feet, fir and spruce production.

	January to October, 1920.		Entire year of 1920.	
	British Columbia.	Oregon and Washington.	British Columbia.	Oregon and Washington.
Log cost (including stumpage).....	\$22.56	\$18.00	\$20.01	\$16.66
Production cost of lumber sold.....	34.16	28.57	34.87	31.71
Shipping expense.....	1.70	.92	1.68	.98
Selling expense.....	.62	1.00	.56	1.07
Total cost of lumber sold.....	36.01	30.49	36.77	33.76

Authorities: Cost statements of the British Columbia Lumbermen's Association and the West Coast Lumbermen's Association.

B.—Cost per 1,000 board feet, pine production.

Total cost in pile, including stumpage:	
Eastern Ontario.....	\$38.10
Georgia-Florida.....	29.87
Southern pine.....	31.21

Authority: Georgia-Florida Saw Mill Association; for eastern Ontario, through a member of the Ontario Legislature who personally collected the data from the Ontario White Pine Lumber Manufacturers Association, year of 1920; for southern pine, the Southern Pine Association cost statement for entire year of 1920.

C.—Cost per 1,000 board feet—Pine production.

Logging cost, including stumpage, per 1,000 board feet:	
Average 50 Minnesota mills.....	\$20.95
Two mills of the Shevlin-Clarke Co., Fort Frances, Ontario.....	23.92
Lumber cost, boom to pile, per 1,000 board feet:	
Average 50 Minnesota mills.....	5.96
Two mills of the Shevlin-Clarke Co., Fort Frances, Ontario.....	6.97

¹ Represents month of November only. Other figures for entire year.

An example of those things which go to produce higher costs in Canada are:

	Minnesota.	Western Ontario.
Camp-board supplies per 1,000 board feet.....	\$1.03	\$2.12
Hay and feed supplies per 1,000 board feet.....	.77	.94
Board costs per working day.....	.99	1.22
Wage costs per day per 1,000 board feet.....	2.62	2.64

Authority: The operating reports of the Cookston Lumber Co., Bemidji, Minn., and the Shevlin-Clarke Co., Fort Frances, Ontario, Canada, entire year of 1920.

CONN EXHIBIT No. 1-B.

Comparative statement of averages per 1,000 feet, compiled from statements issued by the West Coast Lumbermen's Association and by British Columbia Lumber & Shingle Manufacturers' Association, for the months of March, April, May, June, July, and August, 1921.

	3 months to Mar. 31.		April.		May.	
	West coast.	British Columbia.	West coast.	British Columbia.	West coast.	British Columbia.
Logs purchased.....	16.86	18.34	15.11	16.26	14.73	15.88
Logs to sawmill.....	14.65	16.74	13.46	15.26	13.31	15.12
Lumber:						
Logs sawn.....	13.72	15.57	12.79	14.28	12.07	14.33
Over-run..... per cent..	6.7	10	5	9.8	10.2	8.5
Manufacturing expenses of those possible to compare:						
Labor.....	4.90	5.83	4.70	4.74	4.67	5.48
Supplies.....	.73	1.33	.67	1.31	.62	1.16
Total manufacturing expenses.....	9.82	13.20	9.04	9.21	8.56	10.53
Total cost of manufacturing lumber.....	23.54	28.77	21.83	23.49	20.62	24.86
Inventory at beginning.....	15.90	15.07	16.63	14.06	16.63	13.67
Inventory at end.....	16.74	13.58	16.90	14.00	16.66	13.62
Production cost of lumber sold.....	22.41	31.49	20.80	25.03	20.43	24.16
Add shipping expense.....	.79	1.35	.78	1.30	.83	1.03
Add selling expense.....	.86	.65	.73	.52	.67	.57
Total cost lumber sold..	24.06	33.49	22.31	26.85	21.93	25.76
	June.		July.		August.	
	West coast.	British Columbia.	West coast.	British Columbia.	West coast.	British Columbia.
Logs purchased.....	14.34	15.15	14.72	14.09	14.38	13.01
Logs to sawmill.....	12.44	13.56	13.05	14.17	12.85	13.36
Lumber:						
Logs sawn.....	11.56	12.20	12.25	13.55	11.98	12.76
Over-run..... per cent..	8	8.5	8.4	8.4	7.1	8.8
Manufacturing expenses of those possible to compare:						
Labor.....	4.52	5.03	4.51	5.20	4.11	5.40
Supplies.....	.60	1.04	.67	1.38	.57	1.26
Total manufacturing expenses.....	8.60	10.27	9.37	11.65	7.82	10.49
Total cost of manufacturing lumber.....	20.16	22.47	21.62	25.20	19.80	23.25
Inventory at beginning.....	16.82	14.34	16.60	13.88	16.81	12.76
Inventory at end.....	16.65	14.11	16.85	13.90	16.81	13.77
Production cost of lumber sold.....	20.68	22.05	20.70	22.57	19.50	23.04
Add shipping expense.....	.80	1.02	.75	1.00	.66	.97
Add selling expense.....	.76	.53	.81	.50	.69	.57
Total cost lumber sold..	22.24	23.60	22.26	24.07	20.75	24.58

CANADA DOES NOT UNDERSSELL THE AMERICAN MANUFACTURER IN THE AMERICAN MARKET.

Mr. Robert B. Allen, secretary and manager of the West Coast Lumbermen's Association, testifying before the Ways and Means Committee, January 15, advocating a reciprocal tariff with Canada, gave to the committee a most vivid picture of why Canada had placed a duty against the American woods and why there was no excuse for a duty against Canadian woods. He said (record, p. 1250):

"Canadian lumber since the act of 1913 never has been sold at less than the American product, except in occasional rare instances; and we have, through the Canadian customs inquiries at our Seattle office, known of instances where our own lumber was sold in Canada \$12 a thousand less than the Canadian-made lumber, and therefore was penalized up to the 15 per cent maximum dumping duty."

And he further stated on page 1254 of the record:

"The Canadian Northwest Provinces before the war were developing fast, and really took more lumber than the British Columbia mills as they were then established could absorb. We got into that market strongly and were really underselling and getting a reasonable profit."

Mr. Allen, secretary and manager of the West Coast Lumbermen's Association, states most emphatically that the American lumbermen went into Canada and undersold the Canadian producer in his own market; and he is equally positive that the Canadian does not come into our market and undersell our domestic producer of lumber. Reciprocity should not be at issue on the lumber tariff; and Americans should be glad to purchase as much lumber from foreign countries as they possibly can secure in order to perpetuate in the stump our waning timber supply. It is not our lumber manufacturers but rather our standing timber which needs protection.

The British Columbia manufacturer ships his product to consumers on the same basis of freight as does the west coast manufacturers. During 1920, as shown by the comparative cost statements of the British Columbia Lumberman's Association and the West Coast Lumbermen's Association, the average mill price for lumber in Oregon and Washington was \$38.69 per 1,000 board feet and in British Columbia \$41.89 per 1,000 board feet. These comparisons are certainly conclusive that the British Columbia manufacturer is not underselling the west coast producer.

Oregon and Washington receive practically all of the coastwise lumber trade to California.

Shipments by water to California from British Columbia and Oregon and Washington.

1919:

British Columbia.....board feet.. 4, 139, 074

Oregon and Washington.....do.... 799, 000, 000

First nine months, 1920:

British Columbia.....do.... 2, 231, 383

Oregon and Washington.....do.... 688, 347, 296

Very little, if any, movement by rail from British Columbia to California; a large movement by rail from the Willamette Valley of Oregon to California.

The total cut of lumber in British Columbia during 1918 was 1,141,000,000 board feet; in Oregon and Washington 7,313,000,000 board feet—the cut in these two States exceeding the cut in British Columbia by approximately 6½ times, while the shipments by water to California from these two States exceeding those from British Columbia by approximately 300 times.

Certainly nothing ruinous about this competition.

Authority: Reports of Pacific Coast Lumber Inspection Bureau.

Oregon and Washington maintain a substantial monopoly on the Far East export trade.

Comparative export shipments, British Columbia and Washington and Oregon, 9 months, 1919-20.

	1919	1920	Increase.
British Columbia.....	<i>Feet.</i> 72, 310, 130	<i>Feet.</i> 88, 386, 299	<i>Per cent.</i> 22. 2
Oregon and Washington.....	880, 713, 354	1, 168, 336, 013	31. 4

You will note that our exports do exceed British Columbia exports in proportion.

If we can compete successfully with Canada in foreign markets what have we to fear of their competition in the domestic markets?

In nine months of 1920 the States of Oregon and Washington exported over 12 times as much as British Columbia.

Authority: Pacific Coast Lumber Inspection Bureau.

TIMBER DEPLETION.

Canada now has four times greater supply of timber per capita than the United States.

Total stand, Canada.....	feet..	890,000,000,000
Total stand, United States ¹	do....	2,214,893,000,000
Stand per capita, Canada.....	do....	89,000
Stand per capita, United States.....	do....	21,094

Authorities: Dominion Bureau of Statistics for Canada. Report of United States Chief Forester on Senate resolution 311, issued June 1, 1920.

BRITISH COLUMBIA, OREGON, AND WASHINGTON.

The statement below shows the amount of standing timber of the various species most widely consumed in British Columbia and in Oregon and Washington.

Stand of Douglas fir:		
British Columbia.....	board feet..	76,573,000,000
Oregon and Washington.....	do....	387,393,000,000
Stand of western hemlock:		
British Columbia.....	do....	64,164,000,000
Oregon and Washington.....	do....	91,000,000,000
Stand of Sitka spruce:		
British Columbia.....	do....	14,000,000,000
Oregon and Washington.....	do....	11,954,000,000
Stand of red cedar:		
British Columbia.....	do....	77,019,000,000
Oregon and Washington.....	do....	63,000,000,000
Total above:		
British Columbia.....	do....	233,576,000,000
Oregon and Washington.....	do....	553,347,000,000

The population of the United States is about 105,000,000, of Canada about 10,000,000. While Oregon and Washington actually have more standing feet of timber than British Columbia, the potential stand per capita which represents the future needs of both nations is much less. British Columbia having approximately 23,375 board feet per capita in stump and Oregon and Washington 5,286 board feet per capita. Considering the proportion of lumber utilized, British Columbia has much greater potential possibilities to fit their demand than exist in Oregon and Washington. (Authority: The Timberman.)

The United States is cutting its timber four times as fast as it is growing it. Timber is being cut and destroyed 5.6 times faster than the growth. The virgin forests of the United States cover 822,000,000 acres. They are now shrunk to one-sixth of that area. Report of the Chief Forester on Senate resolution 311—issued June 1, 1920.

Statement showing the growth with the cut in the various lumber-producing regions—Saw timber.

New England:		
Annual growth.....	feet..	610,000,000
Annual depletion.....	do....	2,000,000,000
The Lake States:		
Annual growth.....	do....	988,000,000
Annual depletion.....	do....	3,500,000,000
Southern pine:		
Annual growth.....	do....	2,875,000,000
Annual depletion.....	do....	16,000,000,000
Rocky Mountain region:		
Annual growth.....	do....	461,000,000
Annual depletion.....	do....	4,250,000,000
Pacific coast:		
Annual growth.....	do....	1,250,000,000
Annual depletion.....	do....	11,000,000,000

(The above are extracts from the report of the Chief Forester, United States Department of Agriculture, made to the President of the United States on June 1, 1920.)

¹ Of which 1,755,218,000,000 feet is softwood and 465,675,000,000 is hardwood.

A TARIFF ON LUMBER CAN NOT BE RECONCILED WITH OUR FOREST CONSERVATION PROGRAM.

Chief Forester of the United States, in his report issued June 1, 1920, in reply to Senate resolution 311, stated:

"Three-fifths of the original timber of the United States has gone. * * * We are using timber four times as fast as we are growing it. * * * The forests remaining are so localized as greatly to reduce their national utility. That the depletion of timber is not the sole cause of recent high prices of forest production, but it is an important contributing cause whose effects would increase steadily as depletion continues. The virgin areas of the United States covered 822,000,000 acres; they have now shrunk to one-sixth of that area."

Our Government is spending approximately \$7,000,000 annually on the work of the Forest Service, and the new growth of timber, which is mostly lower grades, amounts to somewhat less than 6,000,000,000 feet. It is a conceded fact that a duty on Canadian lumber will keep Canadian lumber out of the country at times when supply exceeds demand, and when the opposite condition exists the most which can be hoped for in customs revenue would be about \$1,500,000 annually. It is hardly consistent to be spending \$7,000,000 annually for reforestation in this country and then placing a tariff upon imports from Canada to keep out 1,000,000,000 feet annually when the maximum revenue produced would not exceed \$1,500,000 when any of that lumber came in.

Every piece of lumber imported from Canada saves in the stump just that much of our remaining supply. Therefore, from a conservation angle a tariff on lumber merely serves to accentuate the use of our own timber and the depreciation of our forest.

Below is quoted an extract of a circular sent to subscribers recently by the American Forestry Association, Washington, D. C., who are actively opposed to a tariff on lumber:

"FACTS ABOUT OUR DISAPPEARING FORESTS.

"Why every good citizen should support the movement to perpetuate our forests and provide a supply of lumber and other products for our future needs.

"Experts predict our saw-log lumber will be gone in 50 years.

"The bulk of the original supplies of yellow pine in the South will be gone in 10 years, and within 7 years 3,000 manufacturing plants there will go out of existence.

"White pine in the Lake States is nearing exhaustion, and these States are paying \$6,000,000 a year in freight bills to import timber.

"New England, self supporting in lumber 20 years ago, now has to import one-third of the amount used. It has \$300,000,000 invested in wood and forest industries, employing over 90,000 wage earners.

"Fire destroys over \$20,000,000 worth of timber every year and kills the reproduction upon thousands of acres of forest lands.

"Within 50 years our present timber shortage will have become a blighting timber famine.

"Forests can be protected from fire, regrowth can be encouraged, conservative cutting can be practiced, reforestation can be accomplished—but it takes from 50 to 100 years to mature a timber crop."

WHITE PINE DEPLETION IN MINNESOTA AND THE LAKE STATES—THE SERIOUS DEPLETION OF OUR PINE LUMBER IN THE LAKE STATES AND THE PROBABLE EXHAUSTION OF VERY VALUABLE SPECIES OF LUMBER WITHIN THE NEXT 10 TO 12 YEARS.

The report of the Chief Forester, United States Department of Agriculture, in reply to Senate resolution 311, published June 1, 1920, states in substance as follows:

"That the peak of production of pine lumber was in 1892, when the reported output was a little more than 8,900,000,000 board feet, largely white pine.

"In 1899 Wisconsin, Michigan, and Minnesota, in the order named, were still the leading three States in production, with a total of 8,700,000,000 feet, two-thirds of which was pine; in 1918 they had fallen to eighth, thirteenth, and eleventh, respectively, in production, and their total output had fallen to 3,320,000,000 board feet, of which only 35 per cent was white pine, mostly from Minnesota. As the Lake States forests dwindled, white-pine lumber went down, both in quantity and in quality. Only small scattered remnants of the old growth white-pine forests remain in Wisconsin and upper Michigan.

"The pine forests of Minnesota have been thoroughly culled of their best material, and production now runs heavily to low-grade box lumber.

"All in all, our Lake States are growing only 28 per cent of the lumber which they are cutting, and this second growth is of very inferior low-grade material.

"At a diminishing rate of depletion, due to the cut of one holding after another, it is estimated that the lumber cut of the Lake States at the end of the next 10 years will have dwindled to 1,800,000,000 feet.

"The only great stand of white pine is in Idaho, and it is estimated that this supply will have been exhausted in 20 years.

"The supply of timber in Minnesota will not last much more than seven years."

The State of Minnesota supplied itself with lumber 10 years ago, but now imports from the West on high freight rates, with resultant higher cost to its consumers, approximately seven-ninths of its total consumption. The existing freight cost alone on imports from the Pacific coast averages to-day \$14 to \$17 per thousand board feet, which freight cost is in itself as great as the amount which the people paid per thousand feet for lumber in the days when the production of the State supplied its demand.

How can the United States in justice to its industry and its future needs allow any legislative restriction against the movement of a commodity which we are admittedly short of and which in fact Canada itself has only a limited supply? Every piece of white-pine lumber imported from Canada saves in the stump that much of our own depleted supply.

TIMBER DEPLETION IN THE SOUTH.

In 15 years the South will become dependent for its own needs upon large importations of lumber from the Pacific coast.

The annual consumption of lumber is expected therefore to increase until in 10 to 12 years it may amount to 9,000,000,000 feet. By that time the output of yellow pine will probably shrink to 9,000,000,000 feet. Thus by 1930 the South may cease to be an exporting region, and may produce barely enough lumber for its own needs.

Cypress has probably passed its maximum production and but a short time remains during which it can occupy a place of importance in the lumber industry.

Considering saw timber alone, the annual drain is about seven times the growth. If we compare the cut of all forest products with the entire growth in cubic feet, the cut and devastation is two and one-half times the growth.

TIMBER DEPLETION IN THE WEST.

In Montana and Idaho the present cut of saw timber is in excess of the local needs, which are about 850,000,000 board feet.

Arizona and New Mexico are not self-sustaining. In 1914 about 350,000,000 board feet of timber was used and only 132,000,000 feet was produced.

Wyoming, although it produces more than 600,000 railroad ties and a large number of poles, posts, props, and mine ties, manufactures only about 15,000,000 feet of lumber, less than enough for its population.

Colorado, although it produces 550,000 railroad ties and large quantities of posts, poles, props, and mine ties, manufactures less than 100,000,000 feet of lumber, and is not self-sustaining.

Of the Rocky Mountain States, only western Montana and Idaho now produce lumber above their needs and can increase their output in the near future.

(The above are extracts from the report of the Chief Forester, United States Department of Agriculture, made to the President of the United States on June 1, 1920.)

Higher mill prices promote wasteful and unscientific methods of manufacture; better use of low-grade lumber is obtained on a lower, more stabilized price basis when the manufacturer must operate with care and efficiency.

HIGH PRICES FORCE DEPLETION.

Here is what real authorities say about increased production, increase in plant, opening up new timber reserves, etc., when prices are high:

PORTLAND, OREG., February 3, 1921.

DONALD D. CONN,
Care of Shevlin, Carpenter & Clarke Co.,
Minneapolis, Minn.

New plants:

California.—Fruit Growers Supply Co., Susanville; Lassen Lumber & Box, Susanville; Picering Lumber Co., Sonora; Rebuilt Standard-Lumber Plant, Weed Lumber Co., Weed; Ruggles Sawmill, Anador; Hutchinson Lumber to build at Oroville.

Southern Oregon.—Chiloquin Lumber Co., Chiloquin; Nine Lumber Co., Klamath Falls; Shaw Bertram Lumber Co., Klamath Falls; Brownlee Lumber Co., Medford.

Fir district.—Falls City Lumber & Logging Co., Hoskins; Oregon Government Spruce Mills, Toledo, Creg., and Port Angeles, Wash. Former will operate as com-

mercial mill, other under option. American Export Lumber Co., Rainier, Oreg.; Long-Bell to build soon at Kelso, Wash.; Grays Harbor Lumber Co. to build at Vancouver, Wash. Oregon Lumber Co. to build in New Salem Valley or Columbia River. Charles R. McCormick operating new mill at St. Helens, Oreg. Silver Falls Timber Co., Silverton, Oreg.; Whitney Co. completing new mill Bay City, Oreg.

New timber opened.—Whitney Co., Tillamook County; Oregon Lumber Co., Columbia and Clatsop Counties; Oregon Spruce Boards, Lincoln County, Oreg., and Clallam County, Wash.; Long-Bell to open Cowlitz County, Wash., tract this year; Miami Corporation, subsidiary of Deering Harvester Co., Benton County, Oreg.; new road under lease to Spaulding Logging Co., Portland; Pickering Lumber Co. made big purchase timber northern California last year, not yet developed; Pennsylvania Bash & Door bought timber to build mill, Lakeview, Oreg.—The Timberman.

(The Timberman is one of the largest lumber and logging trade journals in the world.)

Total cut and total shipments of Western Pine Association.

Year.	Cut.	Shipments.	Average price, f. o. b. mill.
	<i>Board feet.</i>	<i>Board feet.</i>	
1915.....	949,053,100	1,008,259,070	\$14.12
1916.....	1,174,172,775	1,192,530,922	14.55
1917.....	1,304,115,774	1,330,239,618	22.20
1918.....	1,381,445,537	1,155,294,008	28.15
1919.....	1,367,581,749	1,360,228,854	30.92

The peak prices of 1919 measured an increase over 1915 by \$16.80 per thousand feet or an increase in price of 118 per cent, which reflected an increase in cut of 44 per cent.

Percentage of the cut of low and high grade lumber during periods of low and high prices.

[Nichols-Chisholm Lumber Co., Frazee, Minn.]

	Per cent in 1915.	Per cent in 1919.		Per cent in 1915.	Per cent in 1919.
High grade:			Low grade:		
No. 1 4-inch strips.....	0.3	0.5	No. 2 4-inch strips.....	2.8	2.0
No. 1 6-inch strips.....	.4	1.0	No. 3 6-inch strips.....	4.5	4.5
Selects.....	1.9	3.1	No. 4 4-inch strips.....	2.1	2.2
Shop.....	1.6	1.1	No. 3 boards.....	14.5	11.5
12, 14, and 16 foot dimension timbers.....	13.0	14.7	No. 4 boards.....	10.3	7.0
			No. 5 boards.....	7.0	4.9
Total.....	17.2	20.4	Total.....	41.2	32.1

The balance of the cut during both periods is made up of the medium grades which run about the same.

These figures show conclusively that a mill does not conserve low grade at high prices—that in neither high nor low price periods are low-grade logs left in the woods.

The average price received in Minnesota in 1915 was \$19 per 1,000 feet; in 1919, \$39 f. o. b. mill. (Bulletin No. 9, Minnesota Agricultural Department.)

Summarizing the situation you find the following conditions existing in the lumber industry during times of high prices:

Large increases in the capacities of sawmills.

The erection of new sawmills.

Small mills operating.

Increase in the holdings of manufacturers.

Larger sales of Government-owned timber.

Practical depletion of the real accessible timber.

And you find when prices are low:

That the sawmill industry which owns its timber logs no differently than when prices are high.

That the majority of low grade, if properly manufactured, serves a very profitable purpose.

That it is cheaper to take all the trees in the woods as you go through rather than go back and get them at some later date.

That the small mill out in the woods is not sawing and the timber remains in the stump.

There is less opening of new tracts of timber.

There is no increase of sawmill capacity.

There is no building of new mills.

There is a general tendency on the part of manufacturers and loggers to readjust their cuttings to a normal basis of consumption. There is, therefore, no wasteful depletion of forests. There should be no effort during this period to force a market.

FOLLOWING EXTRACTS ARE FROM REPORT OF THE CHIEF FORESTER, UNITED STATES DEPARTMENT OF AGRICULTURE, JUNE 1, 1920.

"Twenty years ago sawmills in Minneapolis were cutting more than 500,000,000 feet of lumber annually. As tributary forest became exhausted these mills were forced one by one to close down. The last remaining mill closed a year ago, and one of the larger cities of the country, as well as the rich agricultural region surrounding it, is to-day forced to obtain from 80 to 90 per cent of the lumber from Pacific coast forests some 2,000 miles distant."

"Transportation charges have been increased to most of our largest consuming centers. Competition among manufacturers has been reduced and a greater opportunity created for manufacturers and dealers to auction their product at higher prices. All of these factors have tended to increase lumber prices and have accentuated depletion."

"The eventual solution of the problem presented by an active foreign trade is therefore identical with the remedy for depletion through domestic consumption, namely, not to restrict the use but to increase the production of timber by getting all forest-growing land at work."

"The State of Idaho has announced a policy of disposing of its timberlands. There is a marked tendency in Idaho, however, to put timber holdings upon an operating basis and to construct additional sawmills in sufficient number to liquidate most of these great properties within 25 or 30 years."

EXISTING SHORTAGE OF HOMES DEMANDS CONTINUED FREE ENTRY OF ALL LUMBER WITHOUT RESTRICTION AS TO RETALIATION OR RECIPROCIITY PROVISIONS WHETHER INCORPORATED AS PERMISSIVE OR MANDATORY IN THE LAW.

Our existing housing shortage constitutes a grave menace to the physical health and the moral well-being of the American people, is conducive to discontent and unrest, and if long continued will lead to lessened efficiency and productivity in industry. Any medium, therefore, which tends to increase the cost of building to-day is economically unsound and detrimental to the public welfare. A tariff on lumber can not be reconciled with the living conditions in this country.

HOUSING SITUATION.

The number of families and proportion of dwellings in the United States by periods.

Year.	Families.	Dwellings.	Year.	Families.	Dwellings.
1890.....	12,090,152	11,453,218	1917.....	23,799,275	20,672,051
1900.....	18,187,715	14,420,145	1918.....	24,308,662	20,808,562
1910.....	20,255,555	17,895,845	1919.....	24,872,051	20,829,039
1915.....	22,783,499	19,833,517	1920.....	25,319,443	20,900,000
1916.....	23,292,987	20,263,051			

From 1916 to 1920 the number of families increased 2,026,556 and the number of dwellings 636,949, a shortage of 1,389,607 homes.

Can we justify the imposition of any regulation which will increase the cost of building? (Authority: The Timberman, citing verbatim extract from Saturday Evening Post.)

LUMBER UTILIZED IN GENERAL BUILDING AND CONSTRUCTION.

There is more lumber used for building and construction than for any other one purpose.

The average building bill for the period, 1910-1914, was \$670,000,000; in 1918 it was \$445,549,493; in 1919 it was \$1,326,936,702; but less building took place in 1919 than during the average period 1910-1914. Building cost rose approximately 100 per cent.

All construction work is behind requirements, but the deficit is greatest in dwelling houses.

The falling off in house construction generally appears to have been particularly marked since the latter part of 1919, when the greatest upward movement of lumber prices began.

Normally 30 per cent of the number of buildings constructed are dwellings; in 1919 it was only 15 per cent.

Over 1,000,000 houses needed in 1919; 70,000 were built. The construction of houses in 1918 was less than 1919.

LUMBER UTILIZED BY THE RAILROADS.

The normal demand for railroad ties is somewhere between 100,000,000 and 125,000,000 annually.

In 1918 purchases were less than 77,500,000.

In 10 months of 1919 slightly over 84,500,000.

Maintenance of equipment, way and structures of the railroad at a minimum during Federal control, yet over 4,500,000,000 feet of lumber, exclusive of ties, posts, poles, etc., or 14 per cent of the total lumber cut was purchased and utilized.

The following is a statement of principal items of wood used by the railroads during 1918:

Cross ties.....	77,474,983	Buildings, boards, board ft..	79,593,799
Switch ties..... board feet.	278,901,165	Buildings, finish..... do....	33,539,540
Crossing plank..... do....	57,184,017	Piles..... linear feet..	13,027,135
Fencing..... do....	14,181,189	Other piles..... board feet..	9,170,374
Fence posts..... do....	4,202,141	Cars and locomotives. do....	861,043,141
Poles..... linear feet..	2,638,581	Boats..... do....	2,612,900
Other poles..... board feet..	12,007,524	Handles..... gross..	28,313
Bridge ties..... do....	58,537,366	Miscellaneous. board feet..	149,935,992
Wharves, timbers..... do....	279,168,649		
Buildings, dimension, board feet.....	133,327,278		

Part of the foregoing table is in board feet, part in other measures; but if all is reduced to board feet or approximately so, the total is 4,666,448,390 feet. The above figures show that the item of ties represents a decrease of about 38 per cent of the normal use. The average annual consumption of wood by the railroads during normal years is about 7,000,000,000 board feet. (Authority: Above figures were compiled by the United States Railroad Administration.)

LUMBER AND OUR FARMS.

"Eleven billion cubic feet of lumber, or 46 per cent of the total production of the United States is consumed by the farmers. Agriculture, therefore, may be justly considered the greatest single wood-using industry in the world." (American Farm Bureau Federation in letter of May 23, 1921, to the Ways and Means Committee, expressing unalterable opposition to any tariff on lumber.)

In his report of June 1, 1926, the Chief Forester of the United States, in reply to Senate resolution 311, said:

"Eighty per cent of the county agents report that the extremely high prices of lumber are placing a handicap on farm development and the production of crops and live stock. The most serious effect reported appears to prevail throughout the sparsely timbered regions, where in cases of emergency the farmer is not able to secure supplies from the farm woodland. Live-stock raising and dairying seem to be the hardest hit, because of the large barn equipment and shelter necessary. It is reported that heavy losses of implements and crops are resulting from lack of proper storage facilities. In some of the newer sections, it is even reported that farmers who have not yet reached a stable financial basis are leaving the land because of the cost of new construction. It is reported from all parts of the territory covered that present conditions are tending to lower the standards of living and to make it more difficult to hold on the farm the farmer's own children and desirable classes of labor."

ANY TARIFF WILL INCREASE OUR DOMESTIC MILL PRICES AND REFLECT AN UNWARRANTED ADVANCE IN LUMBER PRICES TO CONSUMERS.

With the higher production costs in Canada any duty of lumber must be added to the selling price and must be paid by the purchaser.

The various lumber-producing groups, including mills in Canada, sell their product on a fixed basis of freight rates, and sawmills located at points farther away from the selling rate point have a higher rate of freight, and those located nearer the markets than the selling rate point enjoy a lower basis of rate. The mill prices of sawmill operations seek the level fixed by the competitive mill which is located the farthest away from the consuming market. The Canadian mills are located a greater distance and usually pay higher rates of freight to the American markets than do their United States competitors, and the American mills absorb the difference between their rate of freight and their Canadian competitors by adding it to their mill prices.

Adding a tariff duty to the Canadian mills selling price is in no way any different than increasing the freight rate from the Canadian operation to the point of consumption in the United States.

Example: Assume a tariff of \$6 per 1,000 board feet should be assessed on tongued and grooved lumber under the Fordney bill: This is equivalent to a 24 cents per hundredweight advance in freight rate to the Canadian mill. When demand is normal or demand exceeds supply the following typifies the reaction of domestic mill prices:

Present difference in mill price.

	Per M board feet.
6-inch 16-foot, No. 3 grade, dressed and matched shiplap:	
• F. o. b. Fort Frances, Ontario.....	\$33. 75
F. o. b. Virginia, Minn.....	34. 25

The difference in price portrays the difference in freight cost to a common consuming point, such as Chicago, Ill.

Proposed difference if tariff adopted.

	Per M board feet.
6-inch 16-foot, No. 3 grade, dressed and matched shiplap:	
F. o. b. Fort Frances, Ontario.....	\$33. 75
F. o. b. Virginia, Minn.....	40. 13

2,450 pounds per 1,000 board feet.

(NOTE.—In figuring the delivered price to the purchaser in the United States the amount of the duty plus the freight cost must be added to the Canadian mill price and the freight cost to the American mill price.)

Statement showing the actual material used in building a general barn.

The total increase in the price of the lumber which would be caused by a 25 per cent ad valorem duty is \$281.43.

Posts, 12 pieces, 6 by 6 by 8 feet, rough.....	feet.. 576
Girders, 8 pieces, 2 by 10 by 60 feet, S1S1E.....	do.... 800
Joists, 32 pieces, 2 by 12 by 36 feet, S1S1E.....	do.... 2, 304
Studding, 120 pieces, 2 by 6 by 16 feet S1S1E.....	do.... 1, 920
Rafters, 128 pieces, 2 by 6 by 16 feet, S1S1E.....	do.... 2, 048
Rafters, 64 pieces, 2 by 6 by 6 feet, S1S1E.....	do.... 384
Rafter braces, 128 pieces, 2 by 6 by 16 feet, S1S1E.....	do.... 2, 048
End studs, 8 pieces, 2 by 6 by 6 feet, S1S1E.....	do.... 48
End studs, 4 pieces, 2 by 6 by 14 feet, S1S1E.....	do.... 56
End studs, 8 pieces, 2 by 6 by 16 feet, S1S1E.....	do.... 128
End studs, 8 pieces, 2 by 6 by 18 feet, S1S1E.....	do.... 144
End studs, 8 pieces, 2 by 6 by 20 feet, S1S1E.....	do.... 160
Collar beams, 30 pieces, 2 by 6 by 6 feet, S1S1E.....	do.... 180
Ridge, 1 piece, 2 by 12 by 68 feet, S1S1E.....	do.... 136
Wind braces, 20 pieces, 2 by 8 by 16 feet, S1S1E.....	do.... 427
Sill, 360 lineal feet, 2 by 6, S1S1E.....	do.... 360
Plate, 144 lineal feet, 2 by 10, S1S1E.....	do.... 240
Plate, 360 lineal feet, 2 by 6, S1S1E.....	do.... 360

Total frame stock.....	do.... 11, 739
2 by 4 and 2 by 6, for stalls, stanchions, etc.....	do.... 3, 000

Total of dimension lumber dutiable.....do.... 14, 739

14,739 feet, at \$20, f. o. b. mill..... \$294. 78
 25 per cent ad valorem duty..... 73. 00

500 lineal feet 1 by 3 No. 3 common bridging, S2S..... do..... 126
 1 by 6 No. 3 common roof sheathing, S2S..... do..... 4, 884
 1 by 6 No. 3 common inside sheathing, S2S, and tongued and grooved.. do..... 5, 000
 Rafter braces, 256 pieces, 1 by 8 by 3; 256 pieces, 1 by 8 by 2, S2S..... do..... 983
 Inch lumber for stalls, mangers, etc., S2S..... do..... 2, 000

Total..... do..... 12, 882

1 by 6 No. 2 common white-pine siding..... do..... 6, 000
 1 by 6 and 1 by 4 No. 2 common white-pine flooring..... do..... 4, 000
 No. 2 common pine for outside finish, cornice, air chutes..... do..... 2, 000
 No. 2 common worked tongue and groove for grain bins, partitions, etc..... do..... 2, 000

Total..... do..... 14, 000

50 M shingles.

SUMMARY.

12,882 feet No. 3 common white pine, at \$21.50, f. o. b. mill..... \$276. 96
 14,800 feet No. 2 common white pine, at \$31, f. o. b. mill..... 434. 00

Total..... 710. 96
 25 per cent duty on \$710.96..... 177. 74
 Duty on dimension lumber..... 73. 00
 Duty on 50 M shingles, at 60 cents..... 30. 00

Total excess cost caused by duty of 25 per cent ad valorem on finish lumber..... 281. 48

Following is a statement showing the detailed list of lumber material and present cost for a small six-room house. A 25 per cent ad valorem duty on finished lumber on this house increases its cost, exclusive of the wholesale, retail, and contractors' profits, by \$193.06. This is equivalent to the average taxes for a four-year period.

Posts, rough, 6 pieces 6 by 6 by 6 feet..... feet.. 216
 Girder, rough, 2 pieces, 6 by 10 by 9 feet..... do..... 180
 Girder, rough, 2 pieces, 6 by 10 by 8 feet..... do..... 160

Total..... do..... 556

First-floor joists, S2S, 26 pieces, 2 by 10 by 24 feet..... do..... 1, 640
 Second floor joists, S2S, 26 pieces, 2 by 10 by 24 feet..... do..... 1, 040
 Ceiling joists, S2S, 17 pieces, 2 by 6 by 24 feet..... do..... 408
 Ceiling joists, S2S, 19 pieces, 2 by 6 by 12 feet..... do..... 228
 Rafter joists, S2S, 46 pieces, 2 by 6 by 16 feet..... do..... 736
 Hip rafters, S2S, 4 pieces, 2 by 8 by 22 feet..... do..... 118
 Dormer rafter, S2S, 14 pieces, 2 by 4 by 10 feet..... do..... 94
 Dormer studs, S2S, 4 pieces, 2 by 4 by 16 feet..... do..... 44
 Rear porch post, S2S, 1 piece, 2 by 6 by 10 feet..... do..... 10
 Front porch joists, S2S, 14 pieces, 2 by 8 by 10 feet..... do..... 187
 Ceiling joists, S2S, 14 pieces, 2 by 6 by 10 feet..... do..... 140
 Rafters, S2S, 18 pieces, 2 by 4 by 10 feet..... do..... 120
 Window rafters, S2S, 7 pieces, 2 by 4 by 8 feet..... do..... 37
 Post girders, S2S, 2 pieces, 4 by 8 by 10 feet..... do..... 53
 Post girders, S2S, 1 piece, 4 by 8 by 14 feet..... do..... 37
 Outside stud, S2S, 84 pieces, 2 by 4 by 20 feet..... do..... 1, 254
 Inside studs, S2S, 100 pieces, 2 by 4 by 8 feet..... do..... 800
 Studs, S2S, 14 pieces, 2 by 4 by 14 feet..... do..... 131
 Studs, S2S, 11 pieces, 2 by 4 by 10 feet..... do..... 73
 Rear porch post, S2S, 1 piece, 6 by 6 by 20 feet..... do..... 120
 Wall plates, S2S, 120 lineal feet, 2 by 8..... do..... 160
 Wall plates, S2S, 120 lineal feet, 2 by 4..... do..... 80
 Top plates, S2S, 240 lineal feet, 2 by 4..... do..... 160
 Partition plates, S2S, 600 lineal feet, 2 by 4..... do..... 400
 For framing, S2S, 50 pieces, 2 by 4 by 16 feet..... do..... 534
 Cornice work, S1S1E, 15 pieces 2 by 4 by 14 feet..... do..... 140
 Basement studs, 24 pieces, 2 by 4 by 10 feet..... do..... 160
 Basement treads, 4 pieces, 2 by 10 by 12 feet..... do..... 80
 Basement stringers, 2 pieces, 2 by 12 by 16 feet..... do..... 64

Total..... 8, 606

300 lineal feet, 1 by 3, No. 3, com., S2S, bridging	75
3,000 lineal feet, 1 by 1, No. 3 com., S2S, grounds.....	300
2,040 feet, 1 by 6, No. 3 D and M—first floors.....	2,040
1,850 feet, 1 by 6, No. 3 S2S, roof boards.....	1,350
4,700 feet, 1 by 6, No. 3 D and sheathing.....	4,700
300 feet, 1 by 6, No. 3 D and M partition.....	300

Total..... 8,825

1,200 feet, clear maple flooring.....	1,200
1,800 feet, 2½ feet vertical grain fir flooring.....	1,800
¾ by 4 clear white-pine siding.....	2,200
No. 2 common white-pine boards for shelving, etc.....	500
No. 1 white-pine cornice lumber.....	500
15 M shingles.....	

SUMMARY.

8,608 feet framing lumber, at \$20 f. o. b. mill.....	\$172.16
8,825 feet sheathing, floors, etc., at \$21.50 f. o. b. mill.....	189.74
1,200 feet clear maple flooring, at \$87.75 f. o. b. mill.....	105.30
1,800 feet No. 2 clear and vertical grain fir flooring, at \$42.50.....	76.50
2,200 feet clear bevel siding white pine, at \$60.....	132.00
500 feet No. 2 white-pine shelving, etc., at \$54.....	27.50
500 feet No. 1 white-pine shelving, etc., at \$67.....	33.50

736.20

25 per cent duty on \$736.20.....	184.05
15 M shingles, at 60 cents.....	9.00

193.05

ANY TARIFF OR RECIPROCAL PROVISION IS DETRIMENTAL TO AMERICAN LABOR.

The only hope of the American manufacturer bettering his volume of business is to promote building and obtain public confidence. To gain both of these ends prices must be stabilized, that builders and users of lumber may obtain a "normal" value from their purchases. Increased mill prices caused by a tariff on Canadian imports will decrease buying rather than increase it, employ less labor, decrease the level of the wages rather than increase them.

What the manufacturer of lumber in the United States needs in order to pay a higher level of wages and to run his plant to capacity, thereby employing a greater amount of American labor, is volume of orders. This can not be obtained if legislative measures are enacted which will eventually cause a purely sentimental increase of mill prices, with the resultant decrease of purchases.

Canada is one of our best customers, and she can not continue to buy from a country that will not allow her to pay her debt by the exchange of commodities. We sell Canada twice as much as we buy from her.

Relative importance of Canada's patronage to the United States.

[Value of imports by years into Canada and increase in purchases from the United States in quantity and in proportion to total imports. Authority: Canadian Department of Customs.]

Year.	Value all imports.	Value of imports from United States.	Per cent of United States imports.	Year.	Value all imports.	Value of imports from United States.	Per cent of United States imports.
1873.....	\$127,514,594	\$47,725,678	37.1	1915.....	\$367,430,204	\$428,616,927	72.9
1880.....	125,137,019	54,082,233	45.5	1916.....	542,077,361	308,693,720	73.5
1885.....	131,708,080	55,221,976	47.8	1917.....	573,437,426	677,631,616	77.5
1890.....	235,703,514	127,608,196	54.8	1918.....	962,543,746	791,906,125	82.3
1895.....	295,208,967	180,026,580	60.0	1919.....	916,428,235	746,920,654	81.5
1913.....	675,517,045	441,141,862	65.2	1920.....	1,064,528,123	801,100,700	75.3
1914.....	623,662,446	416,786,091	64.8				

The growth of Canada as related to its imports to the American manufacturer and trader is well portrayed in the above statement. It is a well-known fact that cost of production and living conditions are the same or a little higher in Canada than they are in the United States and that all increases in the cost of products in the United States are immediately reflected in like professions in Canada. A study of our trade relations would seem to indicate that it may prove detrimental to our own interests to undertake to tax the importations of raw material, such as lumber, pulp, pulp wood, etc., the supply of which we are admittedly depreciating in this country and which, if admitted free, would tend to equalize the exchange situation and offset tariff on importations of commodities of more strenuous competition.

Total value of imports into Canada, 1918, 1919, 1920, and the portion which was purchased in the United States.

[Authority: Department of Customs and Inland Revenue of Canada.]

	Value of Canadian imports from all countries.	Value of American shipments to Canada, all commodities.	Percentage.	Value of Canadian shipments to United States, all commodities.
1918.....	\$962,543,746	\$791,906,125	83	\$441,300,930
1919.....	916,429,335	746,920,654	81	477,745,650
1920.....	1,064,528,123	801,100,700	75	501,130,117
Total.....		2,339,927,479		1,420,266,696

The above statement clearly indicates that Canada has utilized the United States as their greatest purchasing market. Our exports to Canada are immense and are manifestly indicative that Canada is our greatest customer.

Important items which Canada shipped to the United States in 1920.

[Authority: Department of Customs and Inland Revenue of Canada.]

Lumber, lath, and shingles..	\$59,643,069	Oats.....	\$3,059,427
Paper, all kinds.....	50,409,354	Beans.....	525,139
Pulp.....	31,316,753	Live stock.....	55,758,895
Pulp wood.....	8,454,803	Dairy products.....	11,331,604
Hides, furs, skins, and leather, raw and manufactured.....	42,255,858	Fish and fish products.....	18,685,026
Wheat.....	14,237,946	Nickel.....	7,593,497
		Asbestos.....	6,818,645

Imports into Canada for 1920 and the portion imported from the United States.

	Total Canadian imports.	United States' portion.	Per cent.
Automobiles, bicycles, tricycles, and parts, etc.....	\$28,590,923	\$28,491,057	99.65
Automobile engines.....	8,402,351	8,402,351	100.00
Locomotives and parts and boilers.....	1,108,780	1,035,181	93.43
Railroad cars and parts.....	3,308,997	3,295,895	99.69
Engines, gas, steam, and gasoline.....	3,484,774	3,415,131	98.59
Iron ore.....	4,601,716	4,083,839	88.96
Manufactured iron and steel products.....	57,010,497	55,329,636	97.05
Typewriters, adding machines, carpet sweepers, cash registers, and printing presses.....	3,420,333	3,216,622	94.05
Sewing and washing machines and parts.....	1,578,958	1,492,361	94.57
Farm machinery and implements.....	14,615,306	14,529,878	99.42
Barbed wire fence.....	2,056,092	2,056,092	100.00
Photographs and records.....	3,197,058	3,161,218	98.88
Boots and shoes.....	2,711,622	2,611,964	96.33
Furs, hides, skins, and leather, raw and manufactured.....	49,923,261	36,746,846	73.61
Cotton, silk, and woolen clothing.....	12,287,161	9,364,706	75.61
Furniture.....	1,461,411	1,343,984	91.97
Barrels.....	355,215	352,127	99.13
Coins.....	116,290	116,290	100.00
Newspapers and magazines.....	2,420,576	2,378,283	98.26
Pork, mutton, and beef products.....	20,168,456	19,809,502	98.26

The above figures were compiled from the report of the Department of Customs and Inland Revenue of the Dominion of Canada for the fiscal year ending March 31, 1920. They show how large a proportion of goods bought by Canada from all countries of the world are furnished by the United States. The 20 groups of articles listed above, picked at random as samples, demonstrate that in highly manufactured goods the United States supply 100 per cent or nearly so.

Such items as lumber, pulp, pulpwood, etc., which this country is in dire need of while depleting our own natural resources, should not be restricted in their movement from Canada, first, because of our own selfish motives to obtain these products and, second, because they represent a few of the products which can go to equalize the United States proportion of imports which Canada purchases.

THE UNITED STATES WOULD BE ACTING IN LINE WITH ITS ECONOMIC NEEDS BY PROHIBITING THE EXPORT OF ALL HARDWOODS.

Charles A. Bigelow, hardwood manufacturer of Bay City, Mich., desires a retaliatory tariff against Canada. He wants the Canadian market for his hardwood flooring, etc. A study of the remaining supply of hardwood in this country would indicate the necessity of not only keeping our own supply for our own use, but also obtaining as great a supply of foreign hardwoods as other countries will permit of export.

Hardwood prices are indicative of the fact that the wood has become a luxury; the average workingman can no longer afford hardwood finish in his home. The general level of hardwood prices will continue to advance as the timber is depleted.

Wholesale prices on inch No. 1 common hardwoods.

[Authority: Mississippi Valley Lumberman.]

	1916	July 11, 1921.		1916	July 11, 1921.
Ash.....	\$30	\$50	White oak.....	\$32	\$48
Basswood.....	27	40	Quartered oak.....	50	65
Birch.....	28	45	‡‡ by 2½-inch maple fl. clear..	78	96
Hard maple.....	28	40			

When these Michigan hardwood people appeared before the Ways and Means Committee, they admitted no protection was needed.

"Mr. SAUNDERS. I appear before you gentlemen, just to ask that my industry and the industry I represent be protected in the line of products that we compete with. Not as a protective proposition at all, but as a revenue earning proposition for this Government.

"Mr. COLLIER (p. 953). And you don't want any protection on lumber, but just revenue?

"Mr. SAUNDERS. I don't think we particularly need protection.

"Mr. HAWLEY. Have you made any inquiry as to the cost of production of the competing product in Canada?

"Mr. SAUNDERS. Yes, sir.

"Mr. HAWLEY. Can they manufacture a thousand feet for a less price than you can?

"Mr. SAUNDERS. I think not, sir, etc."

Let us analyze the situation. Mr. Saunders states he needs no protection, but just wants to aid the Government to procure revenue. How is the general exchange of hardwoods between the two countries?

In 1917, 3.5 per cent of the Canadian lumber cut was hardwood. (Dominion Bureau of Statistics.) This amounted to 145,309,605 board feet. Only a very small proportion of this cut finds its way into the United States, but if it all came in on a duty of \$2, it would mean revenue to the extent of only \$290,618. Probably the total importations would not net the Government over \$75,000 annually.

Mr. Bigelow leaves the impression that he can not ship hardwood into Canada—but somebody does. Here are the figures for 1918 and 1919 on our exports of hardwood Canada. (Commerce Reports.)

1918, 99,095,000 feet.....	\$4,750,597
1919, 102,904,000 feet.....	\$5,903,820
Canadian hardwood production..... board feet..	145,309,605
United States hardwood production..... do.....	4,496,000,000

Mr. Bigelow requests reciprocal tariffs to protect a production of 4,496,000,000 board feet from the inroads of Canada's 145,309,605 board feet, when the United States exports to Canada over two-thirds of the total Canadian production.

Mr. Saunders says he is interested in raising revenue for our Government. He is a Michigan hardwood manufacturer. Mr. Bigelow says he is interested in forcing Canada to take their tariff so that he may help build up Canada to the detriment of the American user of hardwood. Mr. Bigelow gives the real reason why these Michigan hardwood people are so thoroughly interested in the tariff. Revenue for our Government is certainly a patriotic purpose, but "revenue for the Michigan hardwood manufacturer" would come nearer an actual portrayal of the underlying reason for the Michigan hardwood manufacturers' participation in the hearings at Washington.

RECIPROCITY OR RETALIATION, WHICH?

The retaliatory provision in the Fordney bill reads as follows:

"*Provided*, That if there is imported into the United States any of the foregoing lumber, planed on one or more sides and tongued and grooved, manufactured in or exported from any country, dependency, Province, or other subdivision of Government, which imposes a duty upon such lumber exported from the United States, the President may enter into negotiations with such country, dependency, Province, or other subdivision of Government to secure the removal of such duty, and if such duty is not removed he may by proclamation declare such failure of negotiations, and in such proclamation shall state the facts upon which his action is taken together with the rates imposed, and make declaration that like and equal rates shall be forthwith imposed as hereinafter provided; whereupon, and until such duty is removed, there shall be levied, collected, and paid upon such lumber, when imported directly or indirectly from such country, dependency, Province, or other subdivision of Government, a duty equal to the duty imposed by such country, dependency, Province, or other subdivision of Government upon such lumber imported from the United States."

We submit that this provision should be stricken from the bill, which in no sense represents the true meaning of reciprocity, but is, on the contrary, retaliation. It permits of the executive branch of our Government, placing into effect a provision for the purposes of building up the Dominion of Canada with our timber when we ought to keep what little we have at home. Canada maintains her duty on finished lumber in order to keep her industries alive. The very fact that our southern pine is now being exported into the Province of Ontario at the rate of \$2,500,000 monthly, and displacing Canadian woods, indicates no need for a retaliatory provision. The very fact that western fir was exported into the prairie Provinces of Canada to the extent of 781,000,000 board feet from 1911 to 1914, and paid the Canadian duty on the finished product, indicates that these western fir manufacturers are still able to maintain their Canadian market.

This retaliatory provision, if enforced by the President, will lessen the supply to the consumers in the United States, increase prices, and deplete our own timber supply in building up Canada to the advantage of increased prices to a selected few whose practice of marketing during the past three years does not justify their claims.

TRUE MEANING OF RECIPROCITY.

Reciprocity, properly applied, would prove of great good to both the United States and Canada. The free access to each country to such raw materials of the other, which each are deficient in supply, would mean the free movement of lumber, shingles, and pulpwood into the United States and the free movement of coal and other similar commodities into Canada. Placing any provision in the law which may prevent the free importation of lumber would certainly discourage Canada to continue to supply us with pulpwood upon which 48 per cent of our paper mills are dependent.

If the provision of the Fordney bill is enacted, the attempt of the United States Government to secure free access to Crown-land pulpwood might prove unsuccessful.

APPENDIX.

WHAT THE MANUFACTURERS OF LUMBER SAY.

The majority of lumber manufacturers ask no tariff. The National Lumber Manufacturers' Association, who, during the hearings on the Payne-Aldrich tariff bill in 1909, were actively engaged at Washington endeavoring to obtain tariff protection, to-day are taking no action whatsoever and say when referring to the American

Lumber Congress, held at Chicago, Ill., March 31 to April 2, 1921, "it was the strong opinion of the meeting that the association should not place itself in favor of any kind of a tariff."

The Western Pine Manufacturers' Association, with offices at Portland, Oreg., and comprises those mills located east of the Cascade Mountains in Oregon and Washington and the mills located in the States of Idaho and Montana, state that: "We are unalterably opposed to any form of a tariff upon either rough or dressed lumber, or to any legislation which may prompt the enactment of any tariff in the future, whether through the guise of reciprocity, retaliation, or any other subterfuge."

And this association further states: "We believe a tariff on lumber against the best interests of the public at large and indirectly inimical to the interests of the manufacturers themselves."

The Northern Pine Manufacturers' Association, which comprises the sawmill industry of Minnesota and Northern Wisconsin, says: "We have taken no action whatsoever looking toward the adoption of a tariff for protection or revenue and this association is not requesting reciprocity or retaliation against Canada, or in fact the adoption of any other legislation which would result in placing any duty whatsoever on rough or finished lumber, tongued or grooved or otherwise."

The Southern Pine Association, which produces 45 per cent of all the lumber consumed, is not requesting any tariff whatsoever.

The California White and Sugar Pine Association is requesting no tariff. Some of their mill operations are very vigorously opposing any tariff provision.

The California Redwood Association is requesting no tariff.

The Georgia-Florida Sawmill Association is requesting no tariff.

The Wisconsin Hemlock and Hardwood Association is requesting no tariff.

The Northwestern Hardwood Lumbermen's Association has adopted resolutions vigorously opposing any tariff on lumber.

A few Michigan hardwood manufacturers, located in the Saginaw valley, would like to see Canada take her tariff off on finished lumber, and are asking a retaliatory provision, such as now contained in the Fordney bill. They would like to ship some of their hardwood lumber into Canada and broaden their market, even in view of the fact that we have so little of that species of wood left in the country. The existing and past prices of hardwood lumber would indicate the necessity of keeping as much of it as possible for home consumption.

PRESENT BUSINESS DEPRESSION—THE WEST COAST LUMBERMEN'S ASSOCIATION.

The West Coast Lumbermen's Association also desires the retaliatory provision as indicated by the Fordney bill. They claim that the Canadian duty on finished lumber has shut them out of the Canadian market. The Canadian duty has been in effect since 1907, and during the years 1911 to 1914 these same fir manufacturers—those people located west of the Cascade Mountains in Oregon and Washington—put over 780,000,000 feet of lumber into the prairie Provinces of Canada.

Authority: British Columbia Timber Council.

The lack of demand in Canada rather than the tariff, together with the fact the United States has absorbed and can in the future absorb more than its own production, has been the primary reason why these North Pacific coast people have shipped so little in recent years into Canada.

Our present industrial deflation discriminates against no one group of American industry. It plays no favorites. The depression in the lumber business is not due to foreign competition. Our average annual domestic production is approximately 40,000,000,000 board feet, and Canada exports to this country only one-fortieth of this amount. The lumbermen, as a whole, are in no more difficult straits than any other line of endeavor, and the west coast manufacturers are affected by the present business depression in no different way than any other group of lumber producers, the majority of whom do not want any tariff provision on lumber. Western lumber producers, including those who are unalterably opposed to a tariff and have so expressed themselves, are in a disadvantageous position geographically and have been detrimentally affected by the pyramided advances in freight rates. The present lack of lumber orders in the west coast region can be accounted for, we believe, by a mathematical ratio; one-half to general business depression and one-half to high freight rates. Freight rates are higher "than the traffic will bear." No tariff regulation can cure this situation; in fact, the railroads themselves are alive to these restrictions and are proceeding to adjust them as expeditiously as possible.

The West Coast Lumbermen's Association are essentially manufacturers of fir and spruce. The Province of British Columbia exports to the United States about 200,-

000,000 board feet annually, while the West Coast Lumbermen's Association produces approximately 6,000,000,000 board feet annually. This importation contrasted with the production west of the Cascade Mountains in Oregon and Washington manifestly can not be responsible in any way for the existing depression of business in that territory.

There are no poor men in the west coast industry. These gentlemen are in no different position to "take the bitter with the sweet" than any other group of lumber producers who are not asking for a tariff or who are unalterably opposed to one.

A PARTIAL LIST OF THOSE WHO HAVE EXPRESSED UNQUALIFIED OPPOSITION TO ANY TARIFF UPON LUMBER, ROUGH OR DRESSED, WHETHER APPLIED AS A RIGID DUTY OR AS A RETALIATORY MEASURE AGAINST CANADA.

General: National Retail Lumber Dealers Association, American Farm Bureau Federation, American Forestry Association.

Massachusetts: A. C. Dutton Lumber Corporation, Springfield, Mass.; Diamond Match Co., Athol and Springfield, Mass.; Retail Lumber Dealers Association, Springfield, Mass.

Connecticut: Hotchkiss Bros, Torrington, Conn.; A. W. Buritt Co., Bridgeport, Conn.; Connecticut Retail Lumber Dealers Association; Connecticut Farm Bureau Federation.

New York: New York Lumber Trade Association, New York City; Barry Bros., Lumber Co., New York City; W. A. Crombie Lumber Co., New York City; Mixer & Co., Buffalo, N. Y.; Buffalo Chamber of Commerce, Buffalo, N. Y.; Various Housing Associations; North Tonawanda lumber distributors, North Tonawanda, N. Y.; The Diamond Match Co., Oswego, N. Y.; various fruit growers associations in New York; Albany Chamber of Commerce, Albany, N. Y.

New Jersey: The New Jersey Retail Lumber Dealers Association, county farm agents in New Jersey.

Pennsylvania: Pennsylvania Retail Lumber Dealers' Association, Pittsburgh; the Forest Conservation Association of Pennsylvania; the committee on the restoration of Pennsylvania's timber production, Philadelphia; the Lumbermen's Exchange of the city of Philadelphia; Forest Lumber Co., Pittsburgh, manufacturers and distributors of lumber; M. E. Hill Lumber Co., Pittsburgh.

Ohio: Ohio Retail Lumber Dealers' Association; Cleveland wholesale and retail lumber interests, as represented by special committee; Diamond Match Co., Barbertown, Ohio.

Michigan: Farm Bureau Federation; Michigan State Legislature, by resolution; retail lumber men of Detroit.

Indiana: Indiana Farm Bureau Federation; various retail lumber and distributing agencies.

Illinois: Illinois Agricultural Association, 100,000 members; Illinois Milk Dealers' Association, 80,000 members; retail lumber men of Chicago, except the Edward Hines Lumber Co.

Wisconsin: Wisconsin Retail Lumber Dealers' Association; retail lumber men of Milwaukee; B. F. Wilson Lumber Co., manufacturers, Warsaw; Frank P. Hixon, president Hixon Investment Co., Milwaukee, president Hixon & Co., La Crosse, member of the Federal Reserve Board for the ninth district; Wisconsin Retail Lumber Dealers' Association.

Iowa: Iowa Farm Bureau Federation; Iowa county farm agents; Greater Waterloo Manufacturers' Association; Dubuque Chamber of Commerce; Northwestern Lumbermen's Association, retail yards.

Minnesota: Minnesota State Legislature, memorial to Congress; Minneapolis Civic and Commerce Association; Minneapolis Builders' Exchange; Crookston Lumber Co., manufacturers, Bemidji, Minn.; J. Neils, manufacturers, Cass Lake, Minn.; Northern Pine Manufacturers' Association, headquarters, Minneapolis, comprising the organized sawmill industry of Minnesota and northern Wisconsin; Northern Hardwood Manufacturers' Association, comprising hardwood manufacturers of northern Wisconsin and Minnesota; A. W. Pinger, Wholesale Lumber Co., Minneapolis; Northwestern Lumbermen's Association, retail distributing lumber yards throughout Minnesota; Minnesota Farm Bureau Federation.

Nebraska: Nebraska Retail Lumber Dealers Association; Northwestern Lumbermen's Association; Nebraska Farm Bureau Federation.

Kansas: Kansas Farm Bureau Federation; Southwestern Lumber Dealers' Association, retail yards in Missouri, Kansas, Oklahoma, and Nebraska.

North Dakota: Fargo Chamber of Commerce; North Dakota Farm Bureau Federation; Northwestern Lumbermen's Association, retail yards throughout the State.

South Dakota: South Dakota Farm Bureau Federation; Northwestern Lumbermen's Association, with retail yards throughout South Dakota and other independent retail yards companies.

Texas: Texas Retail Lumber Dealers' Association; Texas Farm Bureau Federation; A. L. Clarke Lumber Co., manufacturers, Dallas, Tex.

Wyoming: Wyoming Farm Bureau Federation.

Utah: Utah Farm Bureau Federation.

Montana: Retail lumber companies throughout Montana; Montana Farm Bureau Federation; J. Neils Lumber Co., Libby, manufacturers; Western Pine Manufacturers' Association, with mills in Montana.

Washington: Western Pine Manufacturers' Association, with sawmills in the State of Washington east of the Cascade Mountains; J. H. Bloedel, former president of the West Coast Lumbermen's Association and president of the Bloedel Donovan Mills, Bellingham, Wash.

Oregon: Western Pine Manufacturers' Association, with sawmills in central and eastern Oregon.

Colorado: Colorado State Legislature, memorial to Congress. Colorado Farm Bureau Federation.

California: McCloud Lumber Co., manufacturers, McCloud, Calif.; the Diamond Match Co., manufacturers, Sterling City and Chico; California Farm Bureau Federation.

Idaho: Mills of the Western Pine Manufacturers' Association.

Florida: Brooks-Scanlon Corporation, Keesport, Fla.; Standard Lumber Co., manufacturers, Live Oak, Fla.

Louisiana: Brooks-Scanlon Co., Kentwood, La.

Senator WATSON. Tell us why you are against the proviso.

Mr. CONN. If the President does not exercise the power conferred upon him, then it is obvious that the retaliatory clause, so to speak, is of no use so far as this tariff is concerned; it means nothing. If he does exercise the power conferred upon him, it means 25 per cent tariff on finished lumber coming into this country. We are against this duty on finished lumber.

Senator SMOOT. Not if Canada takes it off?

Mr. CONN. I do not know what Canada's position would be, but with the higher cost of operation in Canada, I can not foresee her taking the tariff off. I might say that Canada has had the tariff since 1873.

Senator WATSON. You mean that it costs more to produce all these things in Canada than it does in the United States?

Mr. CONN. It certainly does. Between 1911 and 1914 the fir people in the west coast who asked for this tariff shipped over 781,000,000 feet of lumber into Canada, when the 25 per cent ad valorem tariff was on. I do not say they paid that much on everything, the rough lumber went in free.

Senator WATSON. What proportion of that was rough?

Mr. CONN. I do not know as to that; the Canadian customs and the American customs do not agree.

Senator CURTIS. The previous witness said a large proportion was rough.

Mr. CONN. You can have a poorer class of dimension stuff—2 by 4s are low grade and yet they are finished, as they must be squared and planed.

Senator CURTIS. Do you say it costs more to produce shingles in Canada than it does in the United States?

Mr. CONN. Yes, sir; I have a report from the Tariff Commission, an extract, which is now in the Government Printing Office, giving those figures.

In my brief on the lumber schedule, paragraph 1683, I have summarized it in a small pamphlet, and I have copies of this brief for each member of the committee, if they desire it. I have tried to cover each phase of the subject.

You will note that the costs of producing lumber in the different sections of Canada are greater than the cost of producing similar species and competitive grades in this country—materially greater.

I also have an extract here from the figures of the United States Tariff Commission showing the cost of producing fir lumber in British Columbia in 1920 to be approximately \$37 per 1,000 board feet and the cost in Oregon and Washington approximately \$33 per 1,000 board feet. Mr. Allen didn't mention this to-day. The matter of labor and log costs, selling and shipping expense, and so forth, is included in these comparisons.

Exhibit No. 2 on the lumber schedule is a copy of the report of the United States forester, issued June 1, 1920, in reply to Senate resolution 311.

Senator SMOOT. There is no need of putting that in, as it has been printed as a Government document. Just refer to it, and we can get it.

Mr. CONN. I would like also to put into the record copy of a letter from Mr. Charles S. Keith, chairman of the committee on governmental relations of the National Lumber Manufacturers' Association, written at Kansas City, Mo., December 12, 1921.

(The letter referred to is as follows:)

CONN EXHIBIT No. 3.

THE NATIONAL LUMBER MANUFACTURERS' ASSOCIATION,
Kansas City, Mo., December 12, 1921.

To members of Committee on Governmental Relations.

GENTLEMEN: My attention has been directed to the proposed revision of the tariff law, at which time lumber schedules will be brought up with the other items.

We are anxious to know the attitude of the industry on this subject at this time, and it is with the view of securing the consensus of opinion of the industry that this letter is sent you. In view of the fact that the value of lumber will probably be high during the coming years, due to depletion of production and shortage in supplies, it would seem to me to be bad judgment to suggest duties on lumber from Canada at this time. Of course this is mere off-hand opinion, drawn without serious consideration of the various phases of the subject. However, the basis of my conclusion is the fact that the probabilities are that lumber will be hard to get, in view of the present very heavy shortage of approximately 28,000,000,000 feet in production and stocks. Producing capacity of this country is now only approximately 28,000,000,000 feet annually as compared with 45,000,000,000 feet in 1909, and lumber stocks generally throughout the country are only about 50 per cent of what they were one year ago. These facts undoubtedly will stimulate the value of lumber and I believe a request for duties on lumber from Canada would react against the industry.

However, as I have said before, this is merely my conclusion, and we would like to have your opinion on this subject so that we may be in position to advise our people in Washington the attitude of the industry at large.

Will you kindly give me a prompt reply to this letter, and oblige.

Yours, very truly,

CHAS. S. KEITH, *Chairman.*

Mr. CONN. Here the chairman of the governmental relations committee of the National Lumber Manufacturers' Association states we are now short 28,000,000,000 feet of lumber in this country, that lumber stocks are only 50 per cent of a year ago, yet we allow the exportation of our product to Japan and other foreign countries—building up those countries at the expense of our own peoples. Mr. Allen wants to build Canada up with his fir lumber by seeking the establishment of this retaliatory clause, even when we are short 28,000,000,000 feet ourselves.

Japan has issued an order prohibiting for a long period the cutting of her own timber and is placing contracts with us to rebuild her country. We are spending \$7,000,000 annually to reforest and cutting our timber four times faster than we are growing it—to build up foreign nations. Where will we be in 30 years?

That is all I have on paragraph 1683.

I would like now to go to paragraph 408, shingles.

When the gentlemen advocating tariff on shingles appeared before the Ways and Means Committee of the House they did not tell everything that was to be told on the shingle situation. Many of the statements which they made can not be substantiated, and in order to brief this thing for the committee I have written an analysis showing what the condition was as of August 1, 1921, after they had their hearing before the Ways and Means Committee. I would like to file this brief in the record.

(The brief is as follows:)

CONN EXHIBIT NO. 4.

A REQUEST THAT SHINGLES REMAIN ON THE FREE LIST.

There were no facts presented to the Ways and Means Committee to justify a tariff on shingles. In this brief every pertinent statement made by the few Washington shingle manufacturers in favor of a duty is refuted by facts. In these pages will be found extracts from oral testimony and briefs and the refutation of these statements directly below. A tariff on shingles can not be justified because:

- (a) The relative costs of production are higher in Canada than in the United States.
- (b) Labor costs are higher in Canada than in the United States.
- (c) Living costs are higher in Canada than in the United States.
- (d) The competition of Canadian shingles is not responsible for the slight deflation in the shingle industry of Oregon and Washington.
- (e) Wasteful and unscientific methods of manufacture and marketing, together with the increased competition of patent roofings—not foreign cedar shingles—are entirely responsible for decreased production in Washington and Oregon.

(f) The majority of shingle manufacturers are requesting no tariff. The American Shingle Congress voted down a resolution requesting a tariff at their meeting in Seattle, Wash., December 7, 1920.

The Dingley bill carried a duty of 30 cents per 1,000 on shingles, the Payne-Aldrich bill 50 cents per thousand, "which was so high as to totally prohibit importation" according to Mr. J. H. Bloedel, president of the Bloedel-Donovan Mills, Bellingham, Wash., and former president of the West Coast Lumbermen's Association. Mr. Bloedel is opposed to the proposed duty on shingles in the Fordney bill and is opposed to any tariff on lumber.

SUBSTITUTES DUE TO INEFFICIENT MARKETING METHODS—THE AMERICAN SHINGLE MANUFACTURER HAS ONLY HIMSELF TO BLAME FOR HIS PREDICAMENT, IF THERE IS ONE—SHOWS WEAKNESS IN SHINGLE SELLING.

[From the American Lumberman, January 29, 1921, issue.]

SEATTLE, WASH., January 22.

"Who supplies the roofs?" was the incisive caption on the largest and most conspicuous exhibit at the fourth annual Red Cedar Shingle Congress in this city last December. The drawing, which was about 10 feet long and 6 feet wide, graphically presented 12 years' production of patent roofing as contrasted with red-cedar shingles during the same time, and it showed that while roofing had advanced from 8,200,000 squares in 1908 to 30,600,000 in 1919, shingles had slumped from 8,700,000 to 7,400,000. The figures, as well as the manner of their presentation, aroused a great deal of comment among the shingle manufacturers, who recognized at once that the results, placed in such emphatic contrast, were due entirely to the difference in merchandising methods and not to the superior quality of one product over the other. In fact, the shingle men say, they have with their own output all the argument as to quality. The exhibit "Who supplies the roofs?" has been reproduced in a printed sheet 13 by 19 by the shingle branch of the West Coast Lumbermen's Association, and it will be circulated in all parts of red-shingle territory.

Who supplies the roofs?

Comparison of production of patent roofing and red-cedar shingles.

(Shingles to cover 100 square feet of roof, about 1,000.)

Patent roofing:		Red cedar shingles:	
1908.....	8,200,000	1908.....	8,700,000
1909.....	9,100,000	1909.....	10,400,000
1910.....	10,000,000	1910.....	9,800,000
1911.....	10,900,000	1911.....	9,200,000
1912.....	11,800,000	1912.....	9,400,000
1913.....	12,700,000	1913.....	8,800,000
1914.....	13,700,000	1914.....	8,300,000
1915.....	16,900,000	1915.....	7,600,000
1916.....	21,100,000	1916.....	8,200,000
1917.....	23,300,000	1917.....	8,200,000

Number of transit cars of lumber and shingles originating on the west coast and consigned without sale to Minnesota transfer.

Date.	Cars held without disposition.		Date.	Cars held without disposition.	
	Lumber.	Shingles.		Lumber.	Shingles.
Feb. 25, 1920.....	178	35	Apr. 14, 1920.....	312	77
Mar. 3, 1920.....	178	33	Apr. 21, 1920.....	283	67
Mar. 10, 1920.....	133	13	Apr. 28, 1920.....	265	85
Mar. 17, 1920.....	211	60	May 5, 1920.....	256	108
Mar. 24, 1920.....	273	51	May 12, 1920.....	231	114
Mar. 31, 1920.....	231	51	May 19, 1920.....	203	119
Apr. 17, 1920.....	262	53			

These shipments were made at a time when the peak of lumber prices and shingles obtained. In March f. o. b. mill prices of fir equaled \$45.72 per 1,000 of shingles—\$7.

It is a recognized fact that billing cars out in transit with no idea of where a sale can be made is one of the most detrimental practices in the marketing of lumber. In the first place, it demoralizes the lumber market, and in the second place it never nets the mill who loaded the car as much money as though it were a bona fide sale.

Production of cedar shingles in United States since passage of Underwood tariff law.

(Unit: Pieces of shingles.)

Year.	Production in Oregon and Washington.	Total United States production.	Total imports from Canada.
1915.....	6,649,987,000	8,459,378,000	1,486,938,000
1916.....	7,211,250,000	9,477,077,000	1,769,333,000
1917.....	6,794,717,000	8,696,513,000	1,924,139,000
1918.....	4,519,852,000	5,690,182,000	1,878,465,000
1919.....	6,514,949,000	9,453,000,000	1,987,480,000
1920.....	(¹)	(¹)	(¹)

¹ Not available.

NOTE.—Figures not compiled by authoritative sources during 1913 and 1914. Authorities: Tariff Commission and United States Forest Service, reports of Department of Commerce. It will be noted that while the imports from Canada increased slightly since 1915 that there was practically no decline in the United States' production.

Total costs of production of shingles (per 1,000 shingles) in British Columbia, New Brunswick, and State of Washington.

	Cost of cedar logs per 1,000 shingles.	Total cost of manufacture.	Grand total cost, including logs.
Phoenix Shingle Co., Seattle, Wash.....	\$3.19	\$1.19	\$4.29
Westminster Mills, Westminster, British Columbia.....	3.75	1.57	5.32
Bathurst Lumber Co., Bathurst, New Brunswick.....	3.16	1.48	4.64

NOTE.—These 3 mills manufacture as near the same grades of shingles as can be compared and represent the best possible basis of comparison between the United States and Canada. Authorities: Taken from the operating reports of each company and submitted by their presidents upon request.

COST OF LIVING IS HIGHER IN CANADA THAN IN THE UNITED STATES.

Figures establish conclusively the statement that the cost of living is higher in Canada than in the United States. These figures are given in the June issues of the Canadian Labor Gazette and the Monthly Labor Review. The cities of Vancouver, British Columbia, and Seattle, Wash., are cited specifically as typical illustrations of the higher cost of living in Canada, the increase of Vancouver over Seattle being approximately 9 per cent.

These items are shown:

[Authorities: American Monthly Labor Review and Canadian Labor Gazette for June, 1921.]

Commodity.	Cost at Seattle, Wash.	Cost at Vancouver, British Columbia.	Commodity.	Cost at Seattle, Wash.	Cost at Vancouver, British Columbia.
Round steak.....per pound..	\$0.29	\$0.31	Canned tomatoes....per can..	\$0.12	\$0.19
Ham.....do.....	.54	.75	Canned corn.....do.....	.17	.20
Milk.....per quart...	.12	.11	Beans.....per pound..	.07	.07
Eggs.....per dozen..	.32	.40	Potatoes.....per bushel..	2.00	1.00
Butter.....per pound..	.45	.48	Sugar.....per pound..	.10	.13
Flour.....do.....	.05	.08	Coffee.....do.....	.38	.53
Cornmeal.....do.....	.04	.07	Coal.....per ton..	11.58	14.75

NOTE.—The claim was made by a few manufacturers of Washington shingles, when advocating a tariff on shingles before the Ways and Means Committee, that the cost of living in Washington and Oregon exceeded the cost in British Columbia. The above figures disprove such a claim.

THE FOLLOWING STATEMENTS, WITH AUTHORITIES, GIVE ADDITIONAL PERTINENT FACTS SHOWING THAT THERE EXISTS NO SOUND BASIS FOR A TARIFF ON SHINGLES.

1. Cost of shingle-mill construction is approximately 20 per cent higher in British Columbia than in the State of Washington. (Authority: British Columbia Timber Industries Council.)

2. Only 18 per cent of the total of 18,000 men employed in the logging, sawmill, and shingle industry of British Columbia are oriental. This number approximates 4,000. In the States of Oregon and Washington there are approximately 6,000 orientals employed in the logging, sawmill, and shingle industry. (Authority: British Columbia Compensation Board through the British Columbia Timber Industries Council, Census Bureau of the United States, and Oregon State Labor Board.)

3. British Columbia shingle-mill operators are now offering bonuses in wages to obtain white sawyers because of the wastage caused by the use of oriental labor. An oriental sawyer will waste approximately 25 per cent of the shingle bolt in trimming the shingle, which is the equivalent of paying \$20 for \$16 logs. A white sawyer is more careful in his manufacture. (Authority: British Columbia Timber Industries Council.)

4. Considering the average waste of the oriental labor, compared to the white labor in a test of 10 days in the month of June at the Hunting-Merritt Mill, Vancouver, B. C., it was found that three white sawyers produced 29,000 shingles daily at the rate of pay of 20 cents per 1,000, and that three oriental sawyers produced 25,000 shingles daily at 17 cents per 1,000; total cost, including overhead, per 1,000 for the white labor, 89 cents; for the oriental labor, 97 cents. (Authority: Actual test conducted monthly by the Hunting-Merritt mill and submitted in regular way to the Shingle Association of British Columbia.)

5. The market quotations of Canadian logs to the British Columbia operators have been generally higher than the market quotations of American logs to the Washington operator. (Authority: The Timberman, an international lumber trade journal which gives monthly market quotations.)

6. The few shingle manufacturers requesting a tariff base their arguments upon erroneous assumptions covering the importation of 14,000,000 feet of cedar logs in 1920 from British Columbia, which constitutes only one-fiftieth of the total number of logs utilized by the mills of Washington and Oregon in the manufacture of shingles.

(a) This means that in this brief it will be shown that the statements made by the few shingle manufacturers of the State of Washington, regarding the restrictions and the additional costs of importing logs from British Columbia are erroneous.

(b) That even if the statements had been correct, they apply only to one-fiftieth of the number of logs utilized by Washington and Oregon mills in the production of shingles.

(c) Is it sound policy to assess a tariff against importations of shingles which, first, can not be justified from a study of the facts; and, second, if it could be justified it would have the effect of raising the price of our American production of 9,000,000,000 shingles to offset an assumed disadvantage which four or five shingle mills claim is assessed against about one-tenth of their production.

The record before the Ways and Means Committee, pages 1328 to 1343, inclusive, and pages 4138 to 4141, inclusive, contain testimony and briefs of a few Washington shingle manufacturers requesting a tariff on imports of shingles. The brief is signed by shingle operators in the vicinity of Bellingham, Wash.; Neil Jamison, George A. Bergstrom, W. C. McMaster. Mr. George A. Bergstrom appeared before the Ways and Means Committee on January 15, advocating a tariff on shingles. This gentleman was primarily responsible for the negative vote taken on a resolution requesting a shingle tariff introduced at the meeting of the American Shingle Congress in Seattle, Wash., December 7, 1920. Speaking against the resolution providing for a tariff on imports of shingles, Mr. Bergstrom stated:

"I don't come from British Columbia, but I have a very friendly feeling for them and I do not believe that they are doing us any particular harm, and I know that what we are asked to pass here is not going to do us any good. * * * I don't believe in inviting a man over here and then putting anything up to him that would make him go out, and I believe this is wrong, and for that reason I move that that resolution be indefinitely tabled."

Mr. Bergstrom a month later appeared in Washington requesting a tariff on shingles. The sense of the American Shingle Congress held at Seattle, Wash., December 7, 1920, was against the adoption of a resolution requesting any tariff on imports of shingles. The resolution introduced was predicated upon the erroneous assumption that Canada maintained a tariff against United States shingles, which is not a fact.

Below are given excerpts of testimony and the substance of paragraphs of the brief upon which these few shingle manufacturers relied in their request for a tariff. Upon this evidence was predicated the 50 cents per thousand shingle tariff now contained in the Fordney bill. There will be found answers to each paragraph as submitted by this shingle minority.

It will be noted that there is not one single argument advanced by these few shingle manufacturers which is not contradicted by the facts, which were obtained after a very thorough and careful investigation.

ARGUMENT.

Mr. JAMISON. Mr. Chairman and members of the committee, the shingle manufacturers have asked for a 60 cents per thousand specific duty on red-cedar shingles to partially equalize the inequalities in marketing and manufacturing conditions between Canada and the United States and to rectify what we consider a gross discrimination against American mills. The gross discrimination, it has been explained, is the export duty that the Canadian Government impose upon British Columbia logs coming into the United States. (Record, p. 1337.)

The export duty of the Canadian Government on cedar logs averages \$1.50 per thousand feet, which reduced on the ratio of 10 to 1, gives the Canadian a 15 cents per thousand advantage on shingles. (Brief, record, p. 414.)

ANSWER.

The export duty on logs originating in British Columbia and delivered in the State of Washington does not result in any discrimination against American mills, as such duty is so small as to be of very little consequence. Timber sold prior to 1887 in British Columbia is exported under regulation of committee upon which the export duty amounts to an average of \$1.12 per thousand feet. Timber sold between 1887 to 1906 is all exported without any committee regulation and the export duty is only 50 cents per thousand feet. Timber sold between 1906 to date is exportable under committee regulation with an average export duty of \$1.25 per thousand feet. When American buyers go to British Columbia to purchase logs they pay for these logs in Canadian exchange, which more than absorbs any export duty which is assessed.

The total production of shingles in Oregon and Washington amounts to about 7,000,000,000 pieces annually. This production absorbs approximately 700,000,000 feet of logs. During 1920 approximately 14,000,000 of cedar logs were exported into the United States from British Columbia. Hence, any export duty assessed by the British Columbia Government only affects one-fiftieth of the total production in shingles in Oregon and Washington.

It is very evident that the statement made by the few shingle manufacturers and as portrayed above does not represent the facts.

The authority for the export figures and classes of timber exportation shown above is the British Columbia Timber Industries Council, Vancouver, British Columbia.

ARGUMENT.

The embargo on cedar logs from British Columbia is controlled by a committee of five, consisting of two British Columbia loggers, two British Columbia mill men, and one representative of the forestry department of British Columbia.

As hereinbefore indicated, the British Columbia government enforces very stringent rules covering the exporting of logs; in fact, these laws do not permit the exporting of logs from any but Crown grant lands, which lands probably do not exceed 6 per cent of the timbered area of British Columbia. At times when there is an oversupply of logs from other than Crown grant lands, the British Columbia authorities have an arrangement with the mill men and loggers whereby the committee hereinbefore mentioned permits exporting, but before the logger can apply for permit to export he must be able to show that he has made every possible effort to find a Canadian buyer for his logs. (Record, brief, 4139.)

ANSWER.

Only a small part of the log exportations from British Columbia are subject to embargo or a regulation by committee. During the calendar years 1919 and 1920 a total of 72,607,400 feet of logs were exported to Washington and Oregon, and only 20,699,000 feet came under the committee jurisdiction and subject to embargo. For the calendar year 1919 only, which is a typical year, a total of 44,000,000 feet of logs was exported from British Columbia into the State of Washington, of which 34,000,000 feet were exported without any committee regulation, nor were they subject to embargo, and only 10,000,000 feet were subject to committee regulation or embargo, and records show that during 1919 American buyers of Canadian logs secured permits for shipment of timber under committee regulation with little difficulty.

During 1919 less than one-fourth of all of the logs exported from British Columbia were subject to committee or embargo regulation, and this proportion amounted to 10,000,000 feet of logs, which comprises only one-seventieth of the total number of logs, utilized by Washington and Oregon mills in the production of shingles.

Authority: British Columbia Timber Industries Council.

It is very evident that the statement made by the few shingle manufacturers and as portrayed above does not represent the facts.

ARGUMENT.

The price of Canadian logs is based on Vancouver, British Columbia, delivery; so, even if American manufacturers should have access to British Columbia cedar logs, the American manufacturer would be subjected to an additional towage charge of \$1.50 per thousand feet in getting British Columbia logs to American mills, which towage should be taken into consideration in determining the amount of tariff duty herein asked for. (Record, brief, p. 1440.)

The cedar-log cost to the Canadian manufacturers will average from \$3 to \$6 per thousand feet less than the same log cost to American manufacturers; and, on account of existing Canadian laws, rules, and regulations, American manufacturers are prohibited from participating in this cheaper log cost, owing to the embargo on the export of cedar logs placed by the Canadian Government, which embargo is practically in effect at all times. (Record, brief, p. 4139.)

The Canadian manufacturer has an average advantage on log cost of \$4.50 per thousand, compared with the American manufacturer, on a ratio of 10 to 1; the Canadian, therefore, has an advantage of 45 cents per thousand shingles in the matter of log cost. (Record, brief, p. 4141.)

ANSWER.

Below is given the market price per thousand feet of cedar logs as published in the *Timberman*, the foremost Pacific coast lumber journal, for the periods indicated:

April, 1920:		
At Columbia River.....		\$35
At Vancouver, B. C.....		\$40- 42
January 15, 1921:		
At Seattle, Wash.....		16
At Vancouver, B. C.....		18

Log prices on the North Pacific coast of the United States are controlled by strongly organized loggers associations, and should there be any deflation of log prices to the American manufacturer, it could be traced to the organization of United States loggers rather than to any actual merited reason for higher log prices in the United States than exist in Canada.

It is a well-known fact that logging conditions are much more expensive in any part of Canada than in the United States. The statement appearing above is therefore proven incorrect from actual market quotations.

Authority: The Timberman.

If the few shingle operators were referring in their brief to the difference in the price of British Columbia logs to themselves as compared with the price to British Columbia operators, it is well to note their statement opposite this answer, wherein they state that the price of Canadian logs is based upon Vancouver, British Columbia, delivery. At that point the American shingle manufacturer has the right to purchase British Columbia logs at the same price and in Canadian exchange, as does the British Columbia shingle manufacturer.

Authority: British Columbia Timber Industries Council.

The conclusion reached in the second paragraph shown opposite of any difference in log cost is erroneous, as actual market conditions show that the British Columbia shingle manufacturer is actually paying more for his logs than is the American shingle manufacturer. And if a proper portrayal of this condition should be made, the conclusion would be, i. e., that the Canadian manufacturer of shingles is at a far greater disadvantage as to log cost than is the American shingle operator.

It is very evident that the statement made by the few shingle manufacturers and as portrayed above does not represent the facts.

ARGUMENT.

Mr. Neil Jamison, president of the Jamison Lumber & Shingle Co., Everett, Wash., one of the members of the American shingle industry's committee appearing before the Ways and Means Committee January 15, operates shingle mills on the American side of the international boundary; and some time since he purchased a stand of cedar timber in British Columbia and opened a logging camp for the purpose of supplying cedar logs from British Columbia to his American mill operations. He was, however, prohibited by the British Columbia government from exporting his own logs to his own mill, with the consequent result that he was forced to sell his British Columbia cedar logs in Canadian waters at a much less price than he could replace those logs in American waters purchased from the American loggers. (Record, brief, p. 4139.)

ANSWER.

Mr. Neil Jamison, president of the Jamison Lumber & Shingle Co., Everett, Wash., and one of the signers of the brief requesting a tariff on shingles, did buy timber in British Columbia, but knew at the time he purchased it that his entire tract of timber was subject to embargo and committee regulation. The following extract from a telegram from the British Columbia Timber Council on June 27 is explanatory:

"Jamison purchased timber here several years ago and has been operating logging camp in this Province since then. Could not have purchased for the purpose of supplying his American mill, as he was full aware at time of purchase that the timber was license title and exportable only under special permit. * * * Jamison received export permit less than 30 days ago for 33 sections, which roughly amounts to 1,100,000 feet of cedar logs from his own camps, besides purchasing other Canadian logs.

"M. A. GRAINGER,

"*Managing Director British Columbia Timber Industrial Council.*"

It is very evident that the statement above is made as referring to the period of 1920 or the first part of 1921.

ARGUMENT.

He also has an advantage in car supply. The Great Northern Railway, serving many American mills in the State of Washington, also serves Canadian shingle mills in British Columbia. Under the charter of the Great Northern Railway Co. in British Columbia, that road is required to furnish Canadian shippers adequate car supply at all times. As a result, during the past year (1920) American mills have been closed for weeks at a time for lack of cars, while trainloads of empty cars were hauled past the mills in the State of Washington to British Columbia to be loaded with British Columbia shingles, destined to American markets. (Brief, record, p. 4141.)

Mr. McMASTER. The railroad agent at this little town of Marysville told me that practically the only shingles that the Great Northern Railroad was hauling into the east was from Canada through Blaine, which is a point on the Great Northern Railroad, at the British Columbia or international boundary. (Record, p. 1334.)

ANSWER.

If the Senate Finance Committee will investigate the records of the movement of shingles over the Great Northern Railway eastbound from the State of Washington, as compared with those over the same railway originating in British Columbia, they will find that only 9 per cent of the total movement of shingles eastbound for the period July, 1919, to December, 1920, originated in British Columbia.

The following telegram from Mr. John Oliver, premier of the Province of British Columbia, and minister of railways, under date of July 26, 1921, reads as follows:

"No preference to Canadian shippers on Great Northern Railway between Vancouver and Blaine is mentioned in agreement filed with department of railways here or in original charters granted by Provincial Government."

It is very evident that the statement made by the few shingle manufacturers and as portrayed above, does not represent the facts.

ARGUMENT.

In some instances where American mills are advantageously located they loaded shingles on scows and towed them to Vancouver, British Columbia, where they were loaded on Great Northern and other American line cars and reshipped into the United States. (Record, p. 4141.)

ANSWER.

The following telegram, under date of July 26, 1921, from Maj. W. M. Kirkpatrick, M. C., assistant freight traffic manager, Canadian Pacific Railway, Winnipeg, Manitoba, reads as follows:

"About two years ago two scowloads of shingles from Bellingham were forwarded to Vancouver. One scowload was unloaded in Vancouver and loaded on cars supplied by the Pacific Great Eastern Railway. Our records do not show what happened to the other scow. We refused to supply equipment for the shippers for the reason that we were short of cars for our own local mills."

The British Columbia Timber Industries Council reports that the second scow was returned to Bellingham and cars were not furnished for this consignment at Vancouver.

It is very evident that the statement made by the few shingle manufacturers, and as portrayed above, does not represent the facts.

ARGUMENT.

The Canadian manufacturer has an advantage over the American manufacturer of \$1.50 in towing of his raw material. On the ratio of 10 to 1 this advantage amounts to 15 cents per 1,000 shingles. (Brief, record, p. 4141.)

ANSWER.

Appended hereto and made a part of this exhibit is a copy of a map showing the general coast line of British Columbia and the State of Washington, together with the rates of towing from logging operations to Vancouver, British Columbia, and to Bellingham, Wash., and other points. This map appended to this exhibit was furnished by the British Columbia Timber Industries Council upon request. The average difference in towing logs to Vancouver, British Columbia, versus towing the same logs to Bellingham, Wash., is 85 cents per 1,000 feet—not \$1.50 per 1,000 feet.

We must also consider that during the year 1920 this difference in towing charge of 85 cents was applied only to 14,000,000 feet of logs, or to one-fiftieth of all of the logs utilized in the production of shingles by the Oregon and Washington mills.

Authority: Reports of the British Columbia Timber Industries Council.

ARGUMENT.

The American standard of living has increased considerably within the past few years and it will not be possible for this standard of living to be maintained on an 8-hour day with lowering wages which may be forced on the American shingle industries if it is compelled to compete with oriental labor in British Columbia on a 9 and 10 hour day on a lower wage scale. (Brief, record, p. 4141.)

On the American side he (the shingle manufacturer) employs American labor at wages consistent with the American standard of living. Should he move his operations to British Columbia he will of necessity discard American labor and largely employ oriental labor. (Brief, record, p. 4140.)

ANSWER.

Living costs are recognized as being higher in Canada than in the United States. The prices of essential commodities are uniformly higher in Canada than in the United States. The June issues of the American Labor Review and the Canadian Labor Gazette show that food costs in Vancouver, British Columbia, were approximately 9 per cent higher than in Seattle, Wash.

It is very evident that the statement made by the few shingle manufacturers and as portrayed above does not represent the facts.

ARGUMENT.

Not only has the British Columbia shingle manufacturer an advantage over the American shingle manufacturer in the matter of wage cost and raw material cost, but with the present rate of exchange the British Columbia manufacturer selling his product in American markets and taking his settlement in the American dollar has an advantage over the American manufacturer of 50 cents per thousand shingles. (Brief, record, p. 4141.)

ANSWER.

The prevailing rates of exchange between Canada and the United States usually only results in benefit to the Canadian manufacturer, when the market for lumber and shingles is such that the American consumer will pay this premium for the Canadian product in competition with the American product. For instance, at this time Mr. D. Rector, director of the Timber Industries Council, British Columbia, and president of the British Columbia Loggers' Association, reports that many American consumers of British Columbia shingles are taking advantage of the market deflation in the shingle industry and paying for the British Columbia shingles in Canadian exchange. Even under these conditions the British Columbia shingle is not underselling the Washington shingle in competition in the United States, primarily because of the continued higher costs of production in British Columbia than in the State of Washington. If a reasonable return upon the investment in the shingle industry in British Columbia is to be made they must of necessity sell their product for a greater return than the Washington shingle operator.

It is very evident that the statement made by the few shingle manufacturers and as portrayed above does not represent the facts.

ARGUMENT.

Mr. JAMISON. The wage scale is on the per thousand basis; and the scale per thousand piecework in Canada is, under normal conditions, lower than it is in the United States, much lower. (Record, p. 1338.)

The going wage for white labor in American shingle mills is 45 to 55 cents per hour for common labor. American shingle sawyers receive 21 cents per thousand and packers 16 cents per thousand. (Brief, record, p. 4141.)

Oriental wages in British Columbia are at the present time 22½ cents per hour for Japanese and Chinese and 27½ cents per hour for the Hindoo. Orientals holding skilled positions receive up to 35 cents per hour. In the shingle mills they are now paying Chinese sawyers 15 to 16 cents per thousand and Chinese packers 12 cents per thousand. (Brief, record, p. 4140.)

The difference in labor is 25 cents per thousand in favor of the British Columbia shingle manufacturer. (Record, p. 4141.)

ANSWER.

The British Columbia shingle operator pays his labor more money per thousand shingles than does the Washington operator. Only 26 per cent of all labor in British Columbia in the logging, sawmills and shingle mills, is oriental. The total employment of all classes of labor in these industries is 18,000 men.

Authority: British Columbia Timber Industries Council.

The average of the entire year of 1920 the Phoenix Shingle Co., Seattle, Wash., paid their white sawyers 26 cents per 1,000 shingles for cutting "clear" shingles and 29 cents per 1,000 shingles for cutting "star" shingles.

The Westminster mills, British Columbia, for the same period paid their white sawyers 28 cents per 1,000 for cutting "clear" shingles and 30 cents per 1,000 for cutting "star" shingles.

Seventy-five per cent of all sawyers in shingle mills in British Columbia is white labor.

The oriental sawyers employed by the Westminster mills, British Columbia, received for this same period 26 cents per 1,000 shingles for cutting "clear" grades and 28 cents per 1,000 shingles for cutting "stars."

Authority: Operating reports of these two companies transmitted by their secretaries.

The British Columbia shingle mills are now offering bonuses to secure white sawyers because of the wastage caused, and inefficiency due to oriental labor. The Hunting-Merritt Shingle Mills, Vancouver, British Columbia, employ both white and oriental sawyers. They show an average overhead for 10 days consecutive operations in the month of June of \$19.93 per machine per day.

A comparison of the work of the three white sawyers and three oriental sawyers in this mill for this same period shows that the white sawyers produced 29,000 shingles per day per man, at 20 cents per 1,000, as against the oriental production per man of 25,000 shingles per day at 17 cents per 1,000, thus making the total cost of sawyers, including overhead per 1,000, the white man 89 cents and the oriental 97 cents. This test is typical of all shingle mills in British Columbia and shows that the oriental production on piece work was 8 cents higher than the white sawyers.

The average oriental sawyer wastes 25 per cent of the shingle bolt in trimming the shingle. The white sawyer wastes approximately 5 per cent. Thus, if logs were costing British Columbia mill operators \$15 per 1,000, and they were entirely dependent on oriental sawyers, the log cost automatically would be increased because of wastage by 25 per cent.

It is very evident that the statement made by the few shingle manufacturers and as portrayed above does not represent the facts.

ARGUMENT.

One thousand feet of logs will yield 10,000 shingles. Therefore, the ratio is 10 to 1. (Record, brief, p. 4141.)

ANSWER.

A thorough analysis of the quantity production of shingles in Washington shows that the average mill in Washington produces about 11,000 shingles to 1,000 feet of logs. In British Columbia the shingle operator only produces an average of 8,000 shingles to 1,000 feet of logs. Hence, while the manufacturer in British Columbia therefore is more careful with a somewhat better grade of shingles produced, the resultant raw-material cost is much higher. Any industrial deflation in the United States shingle business is self-inflicted through excessive efforts to secure the greatest number of shingles from the logs and because of excessive drying of these shingles to secure profitable underweights on freight rates. The result has been to cheapen the cedar shingle as to bring it into disrepute against substitute patent roofings. (See analysis of sales of cedar shingles and patent roofings in the brief.)

It is very evident that the statement made by the few shingle manufacturers and as portrayed above does not represent the facts.

ARGUMENT.

Mr. JAMISON. We are not asking for any advantage over the Canadian manufacturers. (Record, p. 1339.)

ANSWER.

The Washington shingle operator now has, and has always enjoyed, a distinct advantage over the British Columbia shingle mill. Probably his greatest handicap now is due to the fact that freight rates have been advanced to a point which makes difficult the marketing of his shingles in competition with substitute roofings which are manufactured nearer the point of consumption. No tariff on shingles can cure this situation.

It is very evident that the statement made by the few shingle manufacturers and as portrayed above does not represent the facts.

It is respectfully submitted that the few Washington shingle manufacturers who are advocating a tariff on shingles failed to present any concrete evidence to the Ways and Means Committee which would justify any tariff whatever, and that the above facts, based upon minute investigation, contradict every argument which may be advanced in favor of a tariff.

There was not one single fact before the Ways and Means Committee of the House of Representatives to justify the incorporation of the 50 cents per thousand tariff shown under item 408 of H. R. 7456, now before your committee.

(See other exhibits in this brief covering the total relative cost of production of shingles between British Columbia and Oregon and Washington and other pertinent facts in reference to the shingle industry in the West.)

The real reason for the decreased production of red cedar shingles in the United States is due entirely to the increase in the sale of patent roofings rather than to any competition of red cedar shingles from British Columbia.

Quoting from the American Lumberman, issued June 29, 1921, an item dated from Seattle, Wash., January 22, and referring to the discussions at the American Shingle Congress on December 7, 1920, at Seattle, Wash., reads as follows:

"The figures, as well as the manner of their presentation, aroused a great deal of comment among the shingle manufacturers, who recognized at once that the results placed in such emphatic contrast were due entirely to the difference in merchandising methods and not to the superior quality of one product over the other."

The fact that the Washington shingle manufacturer attempts to manufacture excessive quantities of shingles from his logs and resorts to the method of excessive drying of his shingles to save in freight cost, together with the merchandising methods which he employs, is entirely responsible for his decreased production—not British Columbia competition.

EDMONTON, ALBERTA, July 28.

DONALD D. CONN,
Care Powhatan Hotel, Washington, D. C.

About two years ago two scow loads of shingles from Bellingham were forwarded to Vancouver. One scow load was unloaded at North Vancouver and loaded on cars supplied by Pacific Great Eastern Railway. Our records do not show what happened to the other scow load. We refused to supply equipment for the shingles for reason that we were short of cars for our own local mill.

WM. KIRKPATRICK.

OCTOBER 8, 1921.

MR. F. H. LAMAR,
*Secretary-Manager, Shingle Manufacturers' Association of British Columbia,
Vancouver, British Columbia.*

DEAR SIR: Regarding your letter of the 3d, in which you state that the strike in your industry was due to an attempt to bring your wage scale down to that existing in Washington. Will you not advise me by return mail the exact figures concerning the present wage scale in Washington, concerning the scale you did have before you tried to reduce it, and to what extent you were able to make a reduction? In other words, give me the figures of the existing wage scale in the States of Washington and Oregon for different classes of work compared with yours.

I have books, of course, on this subject, but they are getting old and I want to keep up to date.

Yours, very truly,

_____, *Traffic Manager.*

VANCOUVER, BRITISH COLUMBIA,
October 3, 1921.

MR. DONALD D. CONN, *Minneapolis, Minn.*

DEAR FRIEND CONN: Under separate cover I have forwarded you a copy of the West Coast Lumberman, issue of October 1. I have earmarked several pages and marked certain paragraphs which will no doubt prove of interest to you and which you may be able to use.

With regard to the strike which our industry recently passed through, it was the result of an attempt to bring our wage scale down to that of the scale paid in Washington and Oregon. The attempt was unsuccessful, as in the intervening time from August 30, when notice of the reduction was given to the employees, until September 15, when it was to become effective, the market price on shingles had advanced to a point where the wage reduction was hardly justified.

On page 52 you will notice an article emanating from the shingle branch of the West Coast Lumbermen's Association, and some remarks of Mr. R. S. Whiting, the secretary of that organization. This is a further proof of our contention that the trouble with the shingle industry of Washington and Oregon is not the competition

of the British Columbia product, which according to figures already sent you always sell for a higher price in the American markets than the product of Washington and Oregon.

Our members take the stand that our shingles, 95 per cent of which are edge grain, 100 per cent clear, have done more to offset the antishingle legislation than any other one factor, because of the fact that the most of the shingles manufactured across the line, in our opinion, are not proper shingles to be used for roofing, as they are cheap Star shingles, and largely flat grain.

You will notice Whiting's reference to this in his remarks. In our opinion that is another big point to make when presenting our case before the Finance Committee, and you will know how to make the best use of these points.

Best personal regards.

Yours, truly,

SHINGLE MANUFACTURERS' ASSOCIATION OF BRITISH COLUMBIA,
F. H. LAMAR, *Secretary-Manager.*

In the hearings before the Ways and Means Committee, page 4141, the gentlemen advocating a tariff on shingles based their contentions upon four points. One of them is this [reading]:

The Canadian manufacturer has an average advantage in log cost of \$4.50 per thousand, compared with the American manufacturer, on the ratio of 10 to 1—

Which means 10,000 shingles to 1,000 feet of logs—

the Canadian, therefore, has an advantage of 45 cents per 1,000 shingles in the matter of log cost.

I have with me extracts from the various authentic lumber journals on the Pacific coast showing that the prices of logs in Vancouver were the same or higher than the prices of logs at Grays Harbor or Columbia River during this period.

PORTLAND, OREG., *October 14.*

Yellow fir logs are scarce and bringing \$12, \$16, and \$20, with a tendency to advance. Red fir is stronger but the price remains around \$14; spruce, \$12, \$18, and \$24; cedar, \$20; hemlock, \$8.50 to \$10.

HOQUIAM, WASH., *October 12.*

Fir logs are selling for \$10, \$15, and \$20; hemlock, \$8; cedar, \$15 to \$20; spruce, \$12, \$18, \$20, and \$24. No surplus of logs, and an advance of \$2 on No. 1 fir is expected.

SEATTLE, WASH., *October 14.*

Fir logs are bringing \$10, \$14, and \$20, with some sales of No. 1 logs at \$22; shingle cedar, \$21 to \$22, with \$25 and up for lumber cedar; hemlock can be bought at \$8; no spruce on the market. Supply of logs is very limited.

VANCOUVER, BRITISH COLUMBIA, *October 14.*

Fir logs are bringing \$10, \$14, and \$18; shingle cedar, \$20 to \$22; lumber cedar, \$30, \$35, and \$40; no particular market for hemlock, some sales being made at \$9.

PORTLAND, OREG., *June 13.*

Log prices on the Columbia River are holding steady. Few sales are being made. Yellow fir is quoted at \$12, \$16, and \$20; red fir, \$15, with fairly good demand; cedar, \$16; spruce, \$12, \$19, and \$24. Available supply 128,000,000.

HOQUIAM, WASH., *June 10.*

Fir logs are bringing \$12, \$16, and \$20; spruce, about the same; hemlock, \$8 to \$10; cedar, \$13. Available supply approximately 125,000,000.

VANCOUVER, BRITISH COLUMBIA, *June 10.*

Good fir logs have been bringing \$12, \$16, and \$20, but price is softening very fast. Interior fir logs can be bought as low as \$10; hemlock, practically unsalable; cedar, in fair demand and bringing \$16 to \$20 for shingle and up to \$35 for lumber logs.

SEATTLE, June 10.

Fir logs are quoted at \$12, \$16, and \$20, with tendency to soften; shingle cedar is firm at \$16, siding cedar bringing \$20 to \$25; hemlock slow, and bringing \$8 to \$12; spruce very scarce.

PORTLAND, OREG., July 16.

Yellow fir is the only class of logs in demand. Sales have been made at \$10, \$14, and \$18, or on a basis of \$15 camp run. Red fir has moved very slowly, one recent sale being reported at \$12 flat. Spruce is a trifle weak at \$12, \$18, and \$24. Hemlock is not in demand, the paper mills paying \$12 on season contracts, with outside sales at \$10. Cedar is weak at \$15.

HOQUIAM, WASH., June 12.

Fir logs are selling for \$12, \$16, and \$20. Spruce is selling for the same price. Hemlock is moving at \$8; cedar, \$16. An exceptionally good raft of cedar recently sold at \$24. There is no surplus of logs except No. 3 fir. Very small percentage of camps are operating.

SEATTLE, July 12.

Fir logs are bringing \$12, \$16, and \$20; hemlock soft, and selling as low as \$8; cedar in good demand at \$16 to \$18.

VANCOUVER, BRITISH COLUMBIA, July 14.

Log prices have softened to some extent. Good fir logs are bringing \$10, \$15, and \$20. Considerably lower prices prevail for inferior grades. Cedar is selling for \$16 to \$20 for good shingle logs. Hemlock is not moving; pulp mills are not buying.

I have also with me an extract from the report of the United States Tariff Commission, which report is now in the hands of the Government Printer, showing that the log cost in British Columbia in the manufacture of shingles reduced to the clear grades, 1920, amounted to \$2.98 per 1,000 shingles; in the United States it amounted to \$2.90 per 1,000 shingles; the labor cost in British Columbia was \$1.16 per 1,000 shingles, and in the United States \$1.15 per 1,000 shingles.

Senator SMOOT. Where do you get that extract from?

Mr. CONN. I asked a gentleman to go to the Tariff Commission and get it for me.

Senator SMOOT. Did the Tariff Commission give it to you before publishing it?

Mr. CONN. It was in galley proof, and they had shown it to the shingle men when they were here, and I asked opportunity of seeing it, and as long as it is in the Printing Office, if there is any use to be made of it—

Senator SMOOT (interposing). There could not be any use made of it at all until printed.

Senator WATSON. The witnesses have all said that the difference is in the labor cost.

Mr. CONN. The average shingle weaver, which is oriental labor in British Columbia, wastes about 25 per cent of the shingle bolt when he cuts it; in other words, if you are paying \$12 for logs, those logs cost you in the run into shingles about \$15 before the oriental gets through with them. Under a clause placed in the woods operation in British Columbia Crown lands they allow no Japanese and Chinese labor, and every Crown land license is with that specific understanding.

Under the British Columbia Government there have been established schools for white sawyers in order to overcome the necessity of using oriental sawyers in shingle mills.

British Columbia shingle mills pay a premium of 2 cents per 1,000 shingles for white sawyers. You will note in my shingle briefs I show that the labor cost per 1,000 shingles in Canada is greater than in the

United States. This is also shown by the Tariff Commission in the figures I have just read.

Senator SMOOT. How is it that Canada is selling such an amount of shingles in the United States?

Mr. CONN. I think that, perhaps, there is one reason and one reason only for that: They make an exceptionally high-grade shingle. For instance, they cut 8,000 shingles out of 1,000 feet of logs in British Columbia and the Americans on the coast cut about ten or twelve thousand shingles out of 1,000 feet of logs. Therefore, the Canadian sell for more.

I also have for placing in the record——

Senator WATSON (interposing). Is that so?

Mr. CONN. Well, I think there is more truth than poetry in that, Senator.

Senator WATSON. We better keep them out, then.

Mr. CONN. It is the American shingle that has been kiln dried to a much greater extent than British Columbia has kiln dried, although I do not put it beyond British Columbia to do it also, because freight rates are very high.

The cost of production of a thousand shingles in the United States and in British Columbia are shown in this statement to be higher in British Columbia.

Senator SMOOT. If not the same kind of products, that accounts for it.

Mr. CONN. I understand the Tariff Commission sent a representative into the States of Oregon and Washington and into British Columbia and the commission reduced the figures obtained, which I have given you, to a comparable basis.

On August 29 the advocates of the shingle tariff came to Washington and came before the committee. At that time they made certain statements to the committee which can not be substantiated by facts. I have analyzed the exhibits which they presented and the testimony, and I would like to present three exhibits, with sub-exhibits, showing the statements which they made and the answers, with authorities.

Senator McCUMBER. Very well; that may be printed.

(The exhibits and subexhibits referred to are as follows:)

CONN EXHIBIT No. 5.

On August 29, 1921, representatives of a few shingle manufacturers, located at and near Bellingham and Raymond, Wash., appeared before the Finance Committee of the United States Senate and requested the maintenance of 50 cents per thousand duty now contained in the proposed Fordney bill. Many of the statements made by these advocates of a shingle tariff have been carefully checked up, and can not be substantiated by facts. There appears to be no really pertinent statement made by these people, which has any bearing on the tariff issue, which can be substantiated by facts. Such portions of their testimony which bore directly upon the question of tariff duty are shown below in arguments and answers to the arguments.

REPUTATION OF TESTIMONY OF GEORGE A. BERGSTROM, OF EVERETT, WASH.

ARGUMENT.

Mr. BERGSTROM. On account of our inability to secure the raw material at a satisfactory price, we have been shut down since the 1st of this month. (Unrevised record, p. 2108.)

ANSWER.

Any such inability has nothing whatever to do with a tariff issue, or with the failure of the American shingle mill to obtain sufficient raw material from British Columbia, or with the so-called embargo on the exports of British Columbia logs. The facts of the case are: The general depression throughout this country and Canada resulted in a slight depression in the log market, and caused many independent logging camps, who supply the cedar to the majority of shingle operators, to close down until conditions improved. Because of this condition there has been a scanty supply of cedar logs caused by the American logger in his efforts to regulate supply, which has nothing whatever to do with the importation of shingles from Canada or the resultant effect upon the American shingle operator. (Authority: An actual analysis and survey of conditions made by the witness.)

ARGUMENT.

Mr. BERGSTROM. At the time of closing our mills, the average log cost of British Columbia mills on cedar was \$16 delivered at the mill, while our average cost was \$18 base, or an average of \$19. This made operation of our mills impossible under existing conditions, as this to-day practically means a differential in their favor of \$3 per thousand feet raw material. (Unrevised record, p. 2108.)

ANSWER.

It will be noted in unrevised record (p. 2108) that Mr. Bergstrom stated that his mill closed on August 1, 1921.

He leaves the impression that because the cedar logs were selling less to British Columbia mills than American logs were being sold to American mills, he was forced to close his plant.

On August 1 shingle-cedar logs were selling at Vancouver, B. C., to Canadian mills for \$18 per thousand, not \$16, as is stated by Mr. Bergstrom. (Authority: British Columbia Timber Industries Council.) At the same time, the West Coast Lumberman, one of the leading journals of the north Pacific coast, gave \$10 to \$18 as the Puget Sound log quotation from American camps to American shingle mills, while the Timberman, another large representative north Pacific coast journal, states as follows: "Shingle cedar is quoted at \$16, with few sales at a slight advance." It will be noted, therefore, that instead of British Columbia cedar being sold to British Columbia mills at a lesser price than American cedar was being sold to American mills, the opposite prevailed.

ARGUMENT.

Senator SMOOR. In the balance of the time allowed to you, will you please make a statement to the committee in relation to embargo that Congressman Johnson referred to?

Mr. BERGSTROM. In June of this year, I made a special trip to Vancouver, British Columbia, with the object of buying cedar logs. At that time, they were selling at \$16, delivered at Vancouver, while our logs were averaging around \$19. I was in a position to buy cedar logs from the loggers in British Columbia at \$17 Canadian money, delivered at Anacortes, Wash.; \$17 in Canadian money at that time would have amounted to about \$15.30 American money. My tow from Anacortes to Everett is 90 cents. These logs would have cost me \$16.20 delivered, as against \$19 for American logs. I was prevented from buying these logs on account of the embargo. The Canadian Government would not allow the exportation of these logs.

Senator McCUMBER. Why?

Mr. BERGSTROM. They practically maintained an embargo at all times on cedar, Senator McCUMBER. But why?

Mr. BERGSTROM. I do not know. (Unrevised record, p. 2109.)

ANSWER.

Mr. Bergstrom states, in substance, that an embargo is placed and kept in force practically all of the time against the exportation of British Columbia logs to the United States and cites this, together with the price of these logs, which has already been refuted in the above paragraph, as why he is unable to operate. The following statement of exportations of cedar logs from the British Columbia Province to the State of Washington, is self-explanatory:

Exports, all grades:	Feet.
1919.....	17,712,907
1920.....	14,185,203
<hr/>	
1921—	
January.....	659,831
February.....	1,100,745
March.....	1,389,171
April.....	1,342,769
May.....	3,311,566
June.....	4,726,536
July.....	5,598,717
August.....	7,887,787
<hr/>	
Total, 9 months.....	26,015,122

It will be noted that the Washington shingle mills received a greater quantity of logs in nine months of 1921 than for the entire year of 1920 or 1919, and that during the very period during which Mr. Bergstrom states he was unable to obtain the logs, namely, in the month of June, 1921, there was 4,726,536 feet exported to the State of Washington from British Columbia, or in this one month, more logs were exported to the American shingle mills than during any four months of 1920 and any three months of 1919. During the period in which he says he was forced to close his mill because he could not obtain raw material, nearly 8,000,000 of British Columbia logs were exported to the State of Washington—more logs than in any other single month in 1921. Authority: Forest Service of the Province of British Columbia.)

ARGUMENT.

Mr. BERGSTROM. They defend their position on the embargo with the statement that they are preserving their own timber for their own manufacturers, but at the same time, while they maintain that embargo against the American manufacturers, they are shipping logs in boats to Japan; in other words, they are protecting their own Canadian manufacturers on a cheaper raw material, as against the American manufacturers, etc. (Authority: Unrevised record, p. 2110.)

ANSWER.

The Pacific Coast and Inspection Bureau report for the first six months of 1920, the exportation of 1,929,577 feet of logs from British Columbia to Japan, and 2,225,652 feet of logs from the United States logger to Japan, together with 2,910,741 feet of cedar bolts from the United States logger to Japan.

If the exportation to Japan caused any hardship to the American shingle mill, the American mill should first look to the United States logger for relief, and the United States logger has been shipping practically twice as much to Japan as has the British Columbia logger.

See appended subexhibit, citing a letter from the department of lands of Victoria, British Columbia, stating Mr. Bergstrom's assertion regarding the maintenance of an embargo against the shipments of logs to the American manufacturers, is absolutely without foundation.

ARGUMENT.

Mr. BERGSTROM. When I was there in June I also investigated labor conditions. They were paying \$3.60 for white labor, best price, for 9 hours' work or 40 cents an hour. We were paying \$3.60 for 8 hours or 45 cents an hour. Other white labor was paid in proportion. Oriental labor was considerably cheaper.

Senator McCUMBER. How about the efficiency of their labor as compared with ours?

Mr. BERGSTROM. They claim that the white labor is more efficient than the oriental labor. If that is true, why do they hire oriental labor? (Unrevised record, p. 2110.)

ANSWER.

The total employment of all labor in the lumber, shingle, and logging industry of British Columbia equals 18,000 men, of which all oriental classes comprise 4,680 men. The laws of British Columbia and the Crown timber sales contract, as per the attached exhibit, prohibit the employment of Japanese and Chinese in the logging industry. (Authority: British Columbia Timber Industries Council.)

The total number orientals in the States of Washington and Oregon approximates 28,964. The total number of these orientals employed in the logging, sawmills, and shingle mills in the State of Oregon is 3,000 and in the State of Washington approximately 3,000.

Authority for the employment of orientals in the lumbering industry in Oregon is given by the Western Pine Manufacturers' Association, Portland, Oreg. For the State of Washington, it is estimated, as there is no accurate date. The Bureau of Census, Washington, D. C., report that in the State of Washington in 1920, there were 20,600 orientals, of which approximately 17,000 were Japanese. The logging, sawmill, and fruit industries are the principal sources of employment in the State. It is a conservative estimate that there are more orientals employed in Oregon and Washington than in British Columbia. Note attached subexhibit showing present announcement, condemning the employment of oriental labor in the United States mill operations on the North Pacific coast.

An analysis was made of the log cost per 1,000 shingles of one mill in British Columbia and one mill in the State of Washington, which manufactures, as nearly as could be obtained, the same kinds of shingles in the same processes. It is given as follows in refutation of the argument as to labor cost:

	Log cost.	Labor cost.
Kalama mill, Washington.....	\$1. 17	\$0. 68
Shull mill, British Columbia.....	1. 90	. 69

The above figures do not include overhead, but bear directly upon, first, the actual cost of raw material, and, second, the labor involved per thousand shingles in turning the logs into shingles.

The subexhibit attached shows that the British Columbia shingle industries passed through a serious strike period this fall in their attempt to reduce their wages to the basis of pay of the American shingle mills.

"In shingle sawing, the mills offer a premium of around 2 cents per thousand shingles for white employment in British Columbia. For instance, a mill paying 20 cents per thousand shingles to a white sawyer against 18 cents to an oriental. Oriental labor is used in British Columbia (likewise in the United States) in sawing and packing shingles, and as common labor—mills in British Columbia two years ago, started a school for white sawyers so as to help forward the replacement of orientals by whites. The mills use orientals only to the extent that they are compelled to and would find it more profitable to employ white labor, which is more efficient and far less wasteful of good material." (Authority: British Columbia Timber Industries Council.)

See subexhibits giving statements of wages and woods operations of British Columbia as of October 4, 1921.

ARGUMENT.

Senator McCUMBER. Where do your profits come in?

Mr. BERGSTROM. There are no profits to-day.

Senator McCUMBER. You are figuring, then, that on the prices to-day you are making no profits at all?

ANSWER.

Almost to the day that Mr. Bergstrom was before your committee requesting protection, shingle prices began to advance and continued to advance, until it was necessary in the months of September and October for shingle manufacturers on the North Pacific coast of the United States to seek measures to prevent further advances in prices, which were skyrocketing. Appended as a subexhibit is a copy of the West Coast Lumberman, and this subject is fully covered on the first editorial page. It says:

"Shingles have continued to advance to the point where manufacturers hope there will be no further increase in prices."

ARGUMENT.

Mr. BERGSTROM. As I explained, they are in position to employ practically the same labor we do. My comparison was on white labor. They prefer the cheaper oriental labor, and it must be profitable or they would not do so. (Unrevised record, p. 2111.)

ANSWER.

This question has been answered above, and a careful analysis of the subexhibit shows that the Province of British Columbia is making every effort to obtain white labor in the place of oriental, even to the extent of establishing schools for white labor and paying them in excess of orientals. It is also a fact that British Columbia does not employ as many orientals as do the States of Oregon and Washington. It is further a fact, as shown by the attached exhibits, that the legislature in British Columbia is seeking to restrict the employment of oriental labor.

As to the efficiency of oriental labor versus white labor, note actual demonstration.

[Conn Subexhibit No. 1.]

With reference to paragraphs 402, 405, 408, and 1683 of the Fordney bill requesting the free importation of lumber, shingles, logs, and ties.

Below is given an exact copy of a letter from the chief forester of the Province of British Columbia in refutation of Mr. Bergstrom's testimony that logs are being shipped to Japan to the detriment of the American shingle operator:

DEPARTMENT OF LANDS,
Victoria, British Columbia, September 9, 1921.

M. A. GRAINGER, Esq.,
Timber Industries Council, Vancouver, British Columbia.

DEAR SIR: Regarding the statement in Mr. Bergstrom's evidence that British Columbia was maintaining an embargo against the shipment of logs to American manufacturers and were at the same time shipping them to Japan, I have to advise that this statement is absolutely without foundation. The shipment of logs from the Province of British Columbia is done under the same terms and conditions irrespective of their destination. The trade with Japan is very limited having developed only during the present year, the quantity shipped may be secured from the district forester, Vancouver.

Yours, truly,

P. Z. COWERHILL, Chief Forester.

[Conn Subexhibit No. 2.]

With reference to paragraphs 402, 405, and 408, and 1683 of the proposed Fordney bill, with the request that all wood products be allowed free entry into the United States.

Below is a press clipping from the Daily Province, of September 10, Vancouver, British Columbia, showing the anti-oriental activity of the provincial government.

It should be stated in qualification of this news item that the employees in the logging industry of British Columbia are all white labor.

ANTI-ORIENTAL CASE A STEP FURTHER—INJUNCTION ISSUED BY JUSTICE MURPHY
RESTRAINING PROVINCIAL GOVERNMENT.

Until the constitutionality of the oriental order in council validation act is passed upon by the Supreme Court of Canada, the provincial government is restrained by injunction granted this morning by Mr. Justice Murphy from prohibiting the employment of Japanese and Chinese by holders of timber licenses.

When the application was heard to-day in supreme court chambers, counsel were the attorney general and a former attorney general of the Province. Hon. J. W. deB. Farris appeared on behalf of himself and the provincial minister of lands, cited as defendants in the action, and Mr. Charles Wilson, K. O., for the plaintiff, Brooks-Bidlake & Whittall (Ltd.).

Mr. Wilson's clients in the course of their lumbering operations use Chinese and Japanese loggers, a practice which the provincial authorities acquiesced in since during the war, when labor of this nature was scarce in British Columbia camps. About a year ago, however, it was decided to enforce an old order in council banning employment of orientals in logging camps, and timber licenses were issued with the stipulation appended: "This license is issued and accepted upon the understanding that no Chinese or Japanese shall be employed in connection therewith." The validity of the regulation was referred to the court of appeal, which decided the order in council was ultra vires of the provincial legislature and conflicted with rights accorded Japanese residents of the Province by treaty. In short the action of the provincial authorities was considered to be discrimination.

To bring the matter before the higher courts in a form by which the decision might be looked upon as a precedent and final, the order in council was at the last session of the legislature ratified by statute. The attorney general then announced that timber licenses would be canceled in cases where orientals were employed. By agreement between the lumbermen and the attorney general a writ was issued by Brooks-Bidlake & Whittall (Ltd.) seeking an injunction and contesting the validity of the act. This was thought to be the most expeditious manner of settling the question.

Mr. Wilson pointed out that in view of the decision of the court of appeal Mr. Justice Murphy was bound to grant an injunction, a proposition to which his lordship readily agreed.

Hon. Mr. Farris explained the next step would be the hearing before the Supreme Court of Canada. The minister of justice, he said, in view of representations from the Japanese consul general, Ottawa, seeking disallowance of the act, decided to refer the whole matter to the Supreme Court of Canada for its opinion. The case, previously heard by the court of appeal here, and the litigation concerning the present act, will be heard at the same time, probably in October.

Decision will turn on the constitutionality of the act and whether it is an infringement of the Japanese treaty provisions and discriminates against Japanese residents of British Columbia.

The attorney general stated that in time the case will probably be carried to the judicial committee of the privy council.

[Conn Subexhibit No. 3.]

With reference to paragraphs 402, 405, 408 and 1683 of the proposed Fordney tariff requesting the free importations of wood products into the United States.

Below is given an exact copy of a news item appearing in the West Coast Lumberman on September 1, with reference to the deliberations of the organization known as the "Loyal Legion of Loggers and Lumbermen," wherein the practice of employing oriental labor in the sawmill industry of Oregon and Washington was condemned. From arguments of the few advocates of a tariff on wood products one would imagine that oriental labor was only employed in British Columbia. As a matter of fact, in the main exhibit under the refutation of testimony of witnesses, it will be seen that the States of Oregon and Washington employ more oriental labor than does the Province of British Columbia.

It will also be noted from these news items that many of the mills on the west coast are operating on a 10-hour day. This is a well-known fact, and it is also a fact that many mills are paying as low as \$2.20 for common labor on the west coast for a 10-hour day and as low as \$1.50 in our southern lumber industry for a 10-hour day.

LOYAL-LEGION RESOLUTIONS.

PORTLAND, OREG., August 25.

Resolutions condemning the practice of nonmembers and withdrawing operators for working under the legion wage scale and employing aliens and orientals were adopted at the annual convention of districts Nos. 2, 3, and 12 of the Loyal Legion of Loggers and Lumbermen held here last week. The resolutions were presented by the local of the Silver Falls Timber Co., of Silverton. Similar resolutions were presented by the local of the Mill City plant of the Hammond Lumber Co., these going further and requesting that efforts be made to restore the 8-hour day in such plants as had changed to 9 and 10 hours and also that efforts be made to Americanize the recalcitrant plants. The resolutions will go to the board of directors at the annual meeting.

A. B. Hammond, of San Francisco, president of the Hammond Lumber Co., addressed the meeting and discussed the subject of the high wage scale existing in most of the building trades and to which he attributed considerable of the lumber depression. He pointed out that the earners in the lumber business had taken wage deflation but were suffering from conditions in the trades-unions. He also pointed out that the only place in the country where building was proceeding as usual was in southern California and he attributed this to the "open-shop" conditions prevailing there, as well as the climatic conditions.

Norman F. Coleman, president of the legion, presided, and reports were made by M. C. Ruegnitz, executive secretary; E. M. Wightman, treasurer; and J. B. Fitzgerald, editor of the official publication. Election of district board members resulted as follows: Employers, M. C. Woodward, Silverton, Oreg.; F. R. Olin, Mill City, Oreg.; Thomas Watt, Brighton, Oreg.; W. R. LaLonde, Falls City, Oreg., and A. V. Vosberg, Wheeler, Oreg. The employees are: W. D. Smith, Huilt, Oreg.; H. M.

Pitney, Idanha, Oreg.; C. F. Jones, Silverton, Oreg.; J. S. Baker, Falls City, Oreg.; and J. S. Castleberry, Brighton, Oreg.

For district No. 3 the employers are: E. D. Kingsley, Portland; R. H. Noyes, Portland; F. H. Ransom, Portland; A. S. Kerry, Oreg.; and N. E. Ayer, Portland. Employees are: W. A. Pratt and J. J. Drill, Portland; T. L. Kay, Mount Solo, Wash.; Ira G. Nelson, Astoria, Oreg.; and S. B. Ingham, St. Helens, Oreg.

The employees for the board of district No. 12 are: Lester Vaughn, K. H. Minor, George Broadwell, C. L. Simpson, and E. A. Lillie, all of Bend, Oreg. The employers for the board will be named later.

[Conn Subexhibit No. 4.]

With reference to paragraphs 402, 405, 408, and 1683 of the Fordney bill requesting the free importation of lumber, shingles, logs, and ties.

Below is given a schedule of a bill, passed in April, 1921, by the Province of British Columbia.

SCHEDULE 245.

[Copy of a minute of the honorable the executive council, approved by his honor the lieutenant governor on the 23th day of May, A. D. 1902.]

To his honor the lieutenant governor in council:

The undersigned has the honor to report for the consideration of the council the following:

That on the 15th day of April, 1902, the following resolution was passed by the legislative assembly:

"That in all contracts, leases, and concessions of whatsoever kind entered into, issued, or made by the Government, or on behalf of the Government, provision be made that no Chinese or Japanese shall be employed in connection therewith";

That the deputy attorney general has given his opinion as to the said resolution in two letters bearing date the 10th and 12th days of May, instant, respectively, whereby it appears that the said terms of the said resolution can be lawfully carried out, inter alia, in respect to tunnel and drain licenses issued under the provisions of section 58 of the "mineral act" and section 48 of the "placer mining act" and leases granted under the provisions of Part VII of the said last-mentioned act;

That it is expedient that the terms of the said resolution be carried out in respect of the said licenses and leases;

And to recommend that all tunnel and drain licenses issued by virtue of the powers conferred by section 58 of the "mineral act" and section 48 of the "placer mining act" and all leases granted under the provisions of Part VII of the "placer mining act" shall contain the following proviso: "Provided always, That these presents are on the express condition that no Chinese or Japanese shall be employed in or about the said (tunnel, drain, or demised premises, as the case may be)."

Dated this 23d day of May, A. D. 1902.

EDW. GAWLER PRIOR,
Minister of Mines.

Approved this 26th day of May, A. D. 1902.

JAMES DUNSMUIR,
Presiding Member of the Executive Council.

[Conn Subexhibit No. 5.]

With reference to paragraphs 402, 405, 408, and 1683 of the Fordney bill requesting the free importation of lumber, shingles, logs, and ties.

It has been stated that orientals are employed in British Columbia and that log costs were lower because of the employment of oriental labor. This will be found in the record of the hearings before the Ways and Means Committee.

Below is given an exact copy of the timber license issued by the forest branch, lands department, of British Columbia, which prohibits the employment of Chinese and Japanese in logging operations:

FOREST BRANCH, LANDS DEPARTMENT,
Victoria, ———, 19—.

TIMBER LICENSE.

In consideration of ——— dollars, now paid, being one annual renewal fee and the additional fee provided for in subsection (3) of section 21 of the "forest act" as enacted by section 6 of chapter 26 of the Statutes of 1913 and amendments, and of other moneys

to be paid under the said acts and subject to the provisions thereof, I, _____, deputy minister of lands, license _____ to cut, fell, and carry away timber upon all that particular tract of land described in original license No. _____, renewed by No. _____.

The duration of this license is for one year from the _____, 191—, renewable from year to year as provided by said subsection (3) of section 21.

The license does not authorize the entry upon an Indian reserve or settlement, and is issued and accepted subject to such prior rights of other persons as may exist by law, and on the understanding that the Government shall not be held responsible for or in connection with any conflict which may arise with other claimants of the same ground, and that under no circumstances will license fees be refunded.

N. B.—This license is issued and accepted on the understanding that no Chinese or Japanese shall be employed in connection therewith.

_____, Deputy Minister of Lands.

[Conn Subexhibit No. 6.]

With reference to paragraph 402 (logs) of the proposed Fordney bill requesting the free importations of logs into the United States.

A statement showing the present wages being paid on October 4, 1921, by 28 logging operations in British Columbia. It will be seen that this scale of wages approximates or is in excess of the general scale of wages in the United States.

Returns were made in some cases by the day, in most cases by the hour, and in a few instances by the month. For purposes of comparison I have reduced all the figures to an 8-hour day.

Statement of wages paid Oct. 24, 1921.

Job.	Number of reports.	High.	Low.	Average.
Foreman.....	10	\$300.00	\$182.00	\$242.00
Timekeeper.....	11	180.00	75.00	120.00
Head rigger.....	23	7.00	4.40	5.76
Second rigger.....	12	4.00	3.20	3.78
Hook tender.....	25	7.00	5.20	5.78
Rigging slinger.....	26	5.50	3.60	4.01
Chaser.....	24	4.50	2.80	3.67
Choker.....	27	4.50	3.20	3.48
Signalman.....	26	5.20	2.40	2.75
Leverman.....	5	5.20	4.40	4.72
Unhookman.....	14	4.00	3.20	3.63
Hookman.....	13	4.00	3.20	3.62
Pumpman.....	14	4.00	2.80	3.13
Head loader.....	15	6.50	4.40	5.08
Second loader.....	14	4.50	3.20	3.84
Third loader.....	7	4.00	2.80	3.31
Skid leverman.....	3	5.80	4.60	5.14
Load leverman.....	3	5.60	3.80	4.53
Head tong hooker.....	3	5.60	3.80	4.53
Tong Shaker.....	2	3.40	3.00	3.20
Second tong hooker.....	2	3.40	3.00	3.20
Bunk makers.....	2	3.20	2.80	3.00
Loco engineer.....	16	6.40	4.80	5.17
Yarding engineer.....	30	6.20	4.00	4.79
Swing engineer.....	19	5.00	4.00	4.55
Road engineer.....	12	5.50	4.40	4.60
Loading engineer.....	10	6.00	4.40	4.82
Duplex engineer.....	5	6.00	4.40	4.92
Gas engineer.....	6	4.45	4.00	4.21
Donkey fireman.....	27	4.00	2.80	3.14
Locomotive fireman.....	13	4.00	3.00	3.32
Head faller.....	16	4.60	4.00	4.22
Second faller.....	17	4.75	3.80	4.04
Bull bucker.....	14	6.40	4.00	4.68
Bucker.....	16	4.00	3.60	3.79
Wood bucker.....	17	3.50	2.80	3.05
Skippers.....	7	3.20	2.80	3.00
Knotters.....	6	3.20	2.80	2.98
Swampers.....	3	3.20	2.80	2.93
Filer.....	19	5.35	4.00	4.50
Second filer.....	7	4.00	3.60	3.91
Head brakeman.....	12	4.80	3.20	4.17
Second brakeman.....	11	4.00	3.00	3.70

Per month.

Statement of wages paid Oct. 24, 1921—Continued.

Job.	Number of reports.	High.	Low.	Average.
Grade foreman.....	8	\$5.00	\$4.00	\$4.24
Steel foreman.....	8	4.80	4.00	4.20
Section foreman.....	12	4.80	3.60	4.04
Section men.....	12	3.20	2.60	2.81
Steel men.....	9	3.20	2.60	2.90
Graders.....	9	3.20	2.80	2.98
Head boomman.....	13	5.00	4.00	4.77
Second boomman.....	13	4.50	3.20	3.92
Drag Sawyer.....	9	4.00	3.20	3.63
Head cook.....	20	7.15	3.05	5.10
Second cook.....	9	4.25	3.20	3.53
Baker.....	6	4.20	2.95	3.90
Bull cook.....	21	3.40	2.70	2.86
Bed maker.....	8	3.70	2.45	2.69
Flunkey.....	21	3.20	2.45	2.66
Dish washer.....	9	2.90	2.45	2.60
Blacksmith.....	20	6.00	4.40	4.76
Blacksmith helper.....	17	3.60	2.60	3.23
Car repairer.....	10	6.00	4.00	4.36
Car repairer helper.....	7	3.55	3.20	3.34
Master mechanic.....	5	7.00	4.80	5.24
Master mechanic helper.....	5	3.60	3.20	3.28
Carpenter.....	7	5.00	4.00	4.31
Carpenter helper.....	4	3.60	3.20	3.30
Handy man.....	4	4.80	3.60	4.25

One reported board at 55 cents a meal, three reported board at 45 cents a meal, 20 reported board at 40 cents a meal. One reported 9-hour day. Eight reported falling and bucking by contract.

CONN EXHIBIT No. 6.

On August 29, 1921, representatives of a few shingle manufacturers located at and near Bellingham and Raymond, Wash., appeared before the Finance Committee of the United States Senate and requested the maintenance of 50 cents per thousand duty now contained in the proposed Fordney bill.

Many of the statements made by these advocates of a shingle tariff have been carefully checked up and can not be substantiated by facts. There appears to be no really pertinent statement made by these people which has any bearing on the tariff issue which can be substantiated by facts.

Such portions of their testimony which was given which bore directly upon the question of tariff duty are shown below under the heading "Allegation," and answers to the allegations are shown immediately following under the heading "Answer."

REFUTATION OF TESTIMONY OF MR. E. E. CASE, OF RAYMOND, WASH.

ALLEGATION.

Senator McCumber asked Mr. Case as to why the logs which had been chopped on the McKenzie Pass in Oregon had not been utilized.

ANSWER.

The witness is interested in the sawmill industry at Bend, Oreg., which is located on the east slope of the McKenzie Pass. First subexhibit is a copy of a letter written by the assistant general manager of the Shevlin-Hixon Co., Bend, Oreg., who traversed the road covered by Senator McCumber's interrogative, and who gives him a full answer. This letter also answers Mr. Case in his testimony on page 2113.

ALLEGATION.

Mr. Case, in answer to Senator Walsh, states in substance on page 2114, that the British Columbia manufacturer has a less freight rate to eastern United States than has the American manufacturer, due to the fact that no war tax is charged.

ANSWER.

The freight rate from British Columbia and the freight rate from the North Pacific coast in the United States to all points east of the Montana-Dakota State line is the same. War tax on transportation charges is to be removed January 1, which will take care of this portion of Mr. Case's objections.

ALLEGATION.

Mr. Case states, on the bottom of pages 2114 and 2115 of the unrevised print, that Canadian shingles in some instances undersell the American shingles.

ANSWER.

Appended hereto is subexhibit No. 2, which is a digest of a canvass made as of the months of August, September, and October, and over prior years, showing a questionnaire forwarded to lumber concerns in representative parts of the United States, and their answers, showing conclusively that British Columbia shingles do not, nor did they in the past, undersell the American product, but, as a matter of fact, because of their higher grade and better manufacture, have constantly sold for more than the American product. There is also given actual shingle quotations furnished by the trade journals during these periods.

ALLEGATION.

Mr. Case. The Canadians, with the treaty agreement that they had with the Great Northern Railroad when they went into Canada, were able to secure more cars than the American mills could secure. (Authority: Unrevised record, p. 2117.)

ANSWER.

The prime minister of British Columbia advises, upon request, that no such treaty exists or did it ever exist. It can be conclusively proven by checking up the records of the Great Northern Railroad Co. that the American shingle mills were not discriminated against in the supply of equipment when contrasted with the British Columbia producers.

Similar accusation of unfair division of equipment made by them at Bellingham, Anacortes, and Raymond mills was lodged with the district office of the United States Railroad Administration at Seattle, Wash., during the period of Federal control. These requests were investigated and if the Finance Committee desire they can obtain papers which show that the accusations and complaints of the American shingle operators were absolutely without foundation.

ALLEGATION.

On page 2118 of the unrevised record Mr. Case states: "Since you have brought up this subject of drying and qualifying, I will say that I traveled 10,000 miles this spring and visited yards from Springfield, Mass., to the far West. I found among shingles coming from Canadian mills that there were some manufactured and branded as 'perfects'; that is, supposed to be 16 inches long and 5/2. When dried, there was not a 16-inch shingle among them; there was not a shingle over 15 1/4 inches long; there was not a shingle that was 5/2 among them.

ANSWER.

An inquiry to the Shingle Manufacturers' Association of British Columbia gives the following:

"We would point out that there is not now, nor to our knowledge ever has been, any shingles manufactured in British Columbia and branded as 'perfects.'"

British Columbia mills do not make the "perfect" brand of shingles, and Mr. Case, inadvertently and unintentionally, of course, was referring to shingles of grades shipped by American mills. As shown from subexhibit, during this period the British Columbia mills were selling their shingles from 20 to 50 cents higher than the American shingles were selling. The grade corresponding to the 5/2 "perfects" made by the American mills, and which Mr. Case inadvertently admits are of such a poor grade, is a British Columbia XXXXX shingle. Market reports show that during the time Mr. Case was in Washington before the Finance Committee British Columbia shingle prices ranged from 20 cents to \$1.20 over the American grades.

British Columbia shingles were made with more care, are better packed, and are not dried to the extent that Washington shingles are to save weight in freight charges. The average run of production in British Columbia is 8,000 shingles to a thousand feet of logs and in the State of Washington ten to eleven thousand shingles to a thousand feet of logs.

ALLEGATION.

On page 2120 of the unrevised record, Mr. Case discusses the cheap timber rates of Canada and the cheap carrying charges.

ANSWER.

The best illustration as to the difficulty in operating in British Columbia versus States of Oregon and Washington is the fact that large American timber holders have recently, during 1921, invested considerable quantities of money west of Cascade Mountains, in Oregon and Washington, are opening sawmills and other wood industries, having canvassed the British Columbia section thoroughly before buying. Attention is directed to Subexhibit No. 4 attached, showing investments made by Central Coal & Coke Co., Kansas City, Mo., who took an option of approximately \$7,000,000 worth of holdings in British Columbia, spent approximately \$40,000 in cruising the holdings, and finally gave up the option and bought Oregon timber. The matter of construction of new mills and the opening of new tracts and timber in the States of Oregon and Washington is discussed elsewhere in this presentation.

Taxes in British Columbia are regulated according to lumber values, and an investor in timber holdings in British Columbia never knows what his taxes are going to be, excepting that if his mill price of lumber increases the Crown increase their taxes accordingly.

ALLEGATION.

"Senator McCUMBER. Let me ask you one or two questions directly in point, Mr. Case: Are you operating your mills now?"

"Mr. CASE. At half time.

"Senator McCUMBER. And at a loss?"

"Mr. CASE. At a loss, yes, sir. At least 50 per cent of the mills in the States of Oregon and Washington are shut down.

"Senator McCUMBER. And the other 50 per cent are running at capacity?"

"Mr. CASE. The other 50 per cent are running anywhere from a half to full capacity."

ANSWER.

Subexhibit No. 5 attached, shows a request made to the West Coast Lumbermen's Association, and the answers received, in which it shows that in the month of September 65 per cent of the sawmills in the Northwest were operating 70 per cent capacity; that 75 per cent of the shingle mills were operating at 82 per cent capacity. (Authority: West Coast Lumbermen's Association.)

During this time the prices of shingles increased until to-day practically all shingle mills are operating, making due allowances for inventory time and shut-downs because of repairs.

[Conn Subexhibit No. 1.]

With reference to paragraph 1683, with a request that lumber be placed unqualifiedly on the free list.

Extract from a letter from Mr. R. D. Moore, assistant general manager of the Shevlin-Hixon Co., Bend, Oreg., who made a special investigation of the timber cut on McKenzie Pass Road in order to enable the witness to intelligently answer the interrogatives of Senator McCumber.

"In connection with your letter of September 6, relative to Senator McCumber's questions, I will say that I have personally been over the road mentioned in his question the entire distance, and if he brings forth this question again you might advise him that a portable sawmill was operated on this road at Belknap Springs, which sawmill was moved later closer to Eugene. This outfit produced lumber for contractors and also some for sale in the vicinity, which is very scantily settled. It is a matter of transportation cost alone. This particular road is to be closed entirely September 15 to allow the construction work to continue, and I believe that at no time during the past 18 months would it have been possible to move either these logs or lumber manufactured from them to Eugene for sale. On the coast where they use motor trucks for long hauls this method will be eliminated, because of the fact that we are establishing load limits. We call your attention to an article in the Timberman for August, 1920, on "Truck logging," by E. H. Miekeljohn, of Seattle, which is a paper which was read before the Pacific Logging Congress at Vancouver last year. In that article he states that he hauled logs to his plant partly over a highway on which there was a load limit of 2,400 pounds. He states that it cost him 38 cents per 1,000 feet per mile, but that he could have done it much cheaper if he could have had heavier loads, as would be the case if he was operating entirely over roads he would

build himself. We think that his figure of 38 cents is a good average figure; in using it you can determine as well as we can the average mileage over which the motor truck can profitably be operated, bearing in mind that probably legislation will be enacted soon barring large capacity trucks from our new highways, which we can not afford to build substantial enough to carry the loads these people would like to haul.

"THE SHEVLIN-HIXON Co.
"R. D. MOORE,
"Assistant General Manager."

[Conn Subexhibit No. 2.]

With reference to paragraph 408 of the proposed Fordney bill requesting the elimination of the 50 cents tariff on shingles and their continued free importation.

Appended hereto is a copy of a questionnaire which a witness forwarded to the salesman traveling throughout the country and representing his company, and a copy of answers to that questionnaire which show conclusively that not only is the British Columbia shingle considered a better shingle by American consumers, but also that it is selling and has always sold at a higher price.

QUESTIONNAIRE TO THE SALESMAN.

In your travels from town to town, will you not investigate and, if possible, report within 10 days on the following questions:

1. What are the present relative prices for as near the same grade as possible of British Columbia shingles and Washington shingles laid down at the consuming point?
2. Which is generally the better shingle, the Washington production or the British production, and how much difference in price is taken up by a difference in grade or quality?

When making your calls, if you could get specific information as to these questions, applicable during the month of August, 1921, and August, 1920, and report any name of the retailer visited or the wholesaler visited, the grades of shingles purchased or upon which quotations were made, and the actual quotations, it will be very much appreciated.

Sale of red cedar United States shingles, f. o. b. Chicago, September, 1921, \$4.23, size 6/2.

Sale of 5/2 red cedar shingles, f. o. b. Chicago, from British Columbia, same period, \$5.25 delivered.

Sale of 6/2 Washington shingles, f. o. b. Chicago, August, 1920, \$8 per thousand.

Sale of 5/2 red cedar, clear British Columbia shingles, f. o. b. Chicago, \$9.

DONALD D. CONN, *Minneapolis, Minn.*

DEAR SIR: It is hard to get at prices for 1920, but prices for 1921 on British Columbia XXXXX range all the way from \$5.36 to \$5.56, delivered, for strictly XXXXX British Columbia shingles. The spread now between the XXXXX British Columbia shingles and the 5/2 United States clears and the common 5/2 Washington shingles is from 30 cents to 55 cents; and yet they are using more XXXXX British Columbia shingles than ever before, considering the amount of business done.

The British Columbia shingle is the best, and much better than most of the American shingles.

GEORGE A. ODETTE, *Salesman.*

WAUWATOSA, Wis., September 29, 1921.

Mr. DONALD D. CONN, *Minneapolis, Minn.*

DEAR SIR: Replying to your inquiry relative to British Columbia and western cedar shingles, will say that from the best information that I am able to get the British Columbia shingles are listed higher right through than the western and have been for several years.

The "selected clears" usually are from 30 cents to 50 cents higher, and the ordinary or "straight clears" from 15 cents to 25 cents higher.

My customers advise me that the British article comes in a very much neater packed bunch and the shingles are better graded. Therefore the British manufacturers demand and can get higher prices from a trade that is particular and wants the very best article.

Yours, very truly,

C. H. ALLEN, *Salesman.*

OCTOBER 8, 1921.

Mr. DONALD D. CONN, *Minneapolis, Minn.*

DEAR SIR: Replying to Mr. Moulton's letter of September 28, inclosing list of questions in regard to price on shingles in this territory, will say these are hard questions for me to give you exact, not handling shingles and not being posted on prices. What I know about them possibly would not be what you want. The trade in my territory is about evenly divided on the use of shingles, some using 5X B. C. 5/2 shingles exclusively, others using 5/2 clear red cedar shingles. The 5X B. C. are considered the best shingles and usually sell to the dealer at a spread of from 75 cents to \$1 over 5/2 clears, but at the present time there is only a spread of 35 cents. It also makes a difference in shipping conditions sometimes. British Columbia shingles are easier to get than 5/2 clears; at other times just the reverse. There are also shingles manufactured in a Washington production as special brands which bring more money than the regular 5/2 clears, and some of these brands are considered as good as the British Columbia productions.

Should you feel that this answer does not cover what you want to know, if you will advise me will take this up for you more closely.

Yours, truly,

B. F. MONROE, *Salesman.*

LIGGETT LUMBER & COAL CO.,
York, Nebr., September 22, 1921.

Mr. F. K. GILLETTE,
Crookston Lumber Co., Minneapolis, Minn.

DEAR MR. GILLETTE: Certainly I am glad to have your letter of recent date making inquiry as to comparative price quoted in here on similar grade of American shingle as against Canadian.

Really this is a pretty hard question for me to answer intelligently for the reason that we handle no Canadian shingles, nor have we bought one in 12 years. This being the case, very seldom occasion is taken to look at a Canadian price, although we do get a few lists from up there.

In looking through the quotations at hand I find that the 5/2 clear Canadian runs about 20 cents per thousand higher than the R. G. 5/2 clear. Inclose a few lists which I hope may help you some.

With very best regards and best wishes, I am, very truly, yours,

W. G. LIGGETT.

Below is shown an exact copy of a price list of a wholesale lumber and shingle manufacturer, located at Vancouver, British Columbia, showing the quotations to deliver at Minneapolis, Kansas City, Omaha, Chicago, and St. Louis, on both United States and British Columbia shingle products:

VANCOUVER, B. C., *September 8, 1921.*

GENTLEMEN: Shooting stars, and clears whose motto is Excelsior, featured last week's market. A noticeable increase in demand, with a real cedar-log shortage, has put some pep into all British Columbia shingles. Cedar-siding prices continue unchanged, with demand greater than supply.

	Prices per thousand f. o. b. cars.		
	Vancouver.	Minneapolis, Kansas City, and Omaha.	Chicago and St. Louis.
MIXED CAR SERVICE.			
Extra star, A star 6/2 cedar shingles.....	\$2.75	\$4.03	\$4.13
100 per cent extra clear 5/2 cedar shingles.....	3.25	4.69	4.81
British Columbia XXXXX 5/2 cedar shingles.....	3.65	5.09	5.21
British Columbia 18-inch Eureka 5/2 shingles.....	4.35	5.95	6.06
British Columbia 18-inch Perfection 5/2 cedar shingles.....	4.65	6.41	6.56
by 4, clear, A cedar, beveled siding.....	34.00	39.60	40.00
by 5 and 1/2 by 6, A cedar, beveled siding.....	36.00	41.60	42.00
by 8, clear cedar, bungalow siding.....	62.00	70.00	70.75
by 12, clear cedar, bungalow siding.....	70.00	78.00	78.75
SHINGLES (SPECIALS), OLD PACK OR NEW PACK.			
No. 2 XXXXX, 8-inch cedar bolt.....	2.00	3.444	4.16
No. 2 Perfection 10-inch, cedar bolt.....	2.00	3.70	3.91
by 6, "B," cedar beveled siding.....	26.00	31.60	32.00

You may include with shingles and siding our fir lumber specialties (made to west coast standards): 1 by 3 and 1 by 4, 1½ by 3 and 1½ by 4 V. G. fir flooring, and clear fir finish S4S.

Wire your orders collect. We hurry.

UNDERHILL LUMBER CO. (LTD.).

Red-cedar shingles and siding—Prompt mill shipment—Subject immediate acceptance.

(Orders with siding must contain at least 10,000 feet. Siding with premium shingles \$1 per 1,000 more than above.)

	60-cent rate.	80-cent rate.	88½-cent rate.	93½-cent rate.
ORDINARY SHINGLES.				
5/2 extra clear red-cedar shingles.....	1 4.49	4.60	4.81	4.93
6/2 extra A red-cedar shingles.....	3.95	4.13	4.23	4.35
¾ by 4-inch clear red-cedar siding.....	40.85	41.60	42.05	42.55
¾ by 6-inch clear red-cedar siding.....	39.85	40.60	41.05	41.55
PREMIUM SHINGLES.				
Frederick & Earles 5/2 16-inch premium clear red-cedar shingles.....	4.74	4.94	5.06	5.18
Falcon brand 5/2 premium clear red-cedar shingles.....	4.99	5.19	5.31	5.43
Falcon brand 6/2 premium A red-cedar shingles.....	4.45	4.63	4.73	4.85
Woodlawn brand 5/2 premium clear red-cedar shingles.....	4.79	4.99	5.11	5.23
Woodlawn brand 6/2 premium A red-cedar shingles.....	4.30	4.48	4.58	4.70
Robert Gray 5/2 premium clear red-cedar shingles.....	4.74	4.94	5.06	5.18
Robert Gray 6/2 premium A red-cedar shingles.....	4.10	4.28	4.38	4.50
CANADIAN CLEARS AND SIDING.				
Dominion brand 5/2 extra clear red-cedar shingles.....	1 4.59	4.79	4.91	5.03
¾ by 6-inch clear A red-cedar siding.....	38.85	39.60	40.05	40.55
¾ by 4-inch clear A red-cedar siding.....	37.85	38.60	39.05	39.55

¹ British Columbia.

² United States.

The only reason we publish all these prices on shingles is because some people like to read them. Really, the only prices necessary are those on the Robert Gray premium American grade and the Hastings or Dominion brand 5/2 clears. These are as good shingles as you want and they are priced right.

WIRE ORDERS COLLECT.

Subject to immediate orders we offer for prompt shipment straight cars No. 1 fir dimension S1S1E, loaded as you desire, at \$9 off rail B list on 8 to 20-foot lengths; \$7.50 off on 22-foot and longer.

SEND US YOUR INQUIRIES

For mixed yard stock. We have some attractive prices. Can furnish from our national mill all items except vertical grain fig. What orders we can not fill there we can ship from several other good mills.

WALRATH & SHERWOOD LUMBER CO.

SEPTEMBER 17, 1921.

LOUISIANA RED CYPRESS CO.,
Lincoln, Nebr., September 13, 1921.

To the trade:

Prices on shingles are advancing steadily but are not excessively high yet.

Indications point to further advances.

If you are going to need shingles, better send us that order now.

You lose money every day you put off buying.

Shingles.

Old pack.	73½ cents.	80 cents.	86½ cents.
Louisiana red supreme, the 100 per cent shingle.....	\$4.97	\$5.00	\$5.21
Louisiana red premier, extra clear, 100 per cent clear, 85 per cent V. G....	4.72	4.84	4.86
Louisiana red premier, extra A's.....	4.08	4.18	4.28
16-inch British Columbia XXXXX.....	4.97	5.00	5.21
16-inch extra clears.....	4.52	4.64	4.76
6-inch 5" 10-inch clears.....	2.92	3.04	3.16
16-inch extra A's.....	3.98	4.08	4.18
4-inch clear red cedar, bevel siding.....	41.15	41.60	42.00
6-inch clear red cedar, bevel siding.....	40.15	40.60	41.00

‡ British Columbia.

‡ United States.

On shingles in mixed cars with siding, add 5 cents.

On shingles in mixed cars with lumber, add 10 cents.

The fir market is showing strength on account of the increased number of orders being placed, but we can still give you just the stock you want with immediate shipment at very low prices that will appeal to you.

Wire or phone orders at my expense or send in your inquiries, which will receive prompt attention.

Yours, very truly,

H. M. HUMPHREY, *Representative.*

[Conn Subexhibit No. 3.]

With reference to paragraphs 408 and 1683 of the proposed Fordney bill, requesting the free importation without restriction of lumber and shingles.

Below is quoted a letter from the Spahn & Rose Lumber Co., Dubuque, Iowa, showing conclusively that their experience has been, and still is, that British Columbia shingles sell for a higher price than the American shingles.

DUBUQUE, IOWA, *September 14, 1921.*

Mr. D. D. CONN,

Care of Crookston Lumber Co., Minneapolis, Minn.

DEAR SIR: Confirming conversation that the writer had with your Mr. Gillette this morning we are heartily with you in your efforts to prevent the placing of a tariff on Canadian lumber and shingles on shipments into this country.

We understand that there are some claims being made that the Canadian shingle manufacturers are selling their shingles in this territory at a less price than that asked for comparative brands of American shingles. For your information will state that this is not true to the facts, as, for example, the present quotation an American 5/2 clear is \$4.51; on Canadian 5X clear, \$5.25, delivered to points in this territory.

Our customers generally prefer to pay the extra price for the Canadian shingle because of the better qualities of those shingles. They are generally much better manufactured and are a better quality of timber than the American made shingles, which the trade recognizes and for which our customers are entirely willing to pay the additional price. We would suggest that if the American manufacturers would manufacture a shingle equal in quality and manufacture to the Canadian shingle, then they would not need to worry about the competition from Canada, but until they do that competition is going to exist in its present form.

Yours, truly,

SPAHN & ROSE LUMBER CO.

[Conn Subexhibit No. 4.]

With reference to paragraphs 402 (logs), 405 (ties), and 1683 (lumber), requesting their free importation without restriction.

[West Coast Lumberman, September, 1921.]

KEITH BUYS ECCLES TIMBER.

Confirmation of announcements of the purchase of the so-called Eccles tract of timber in northwestern Oregon is made by Charles A. Keith, president of the Central Coal & Coke Co., Kansas City, Mo. The first story relative to the sale of this timber was

published in a recent issue of the West Coast Lumberman. Mr. Keith's confirmation of this story is as follows:

"The board of directors of the Central Coal & Coke Co., at a meeting on August 20, authorized the purchase of the Oregon-American Lumber Co., of Portland, Oreg., and its subsidiaries, consisting of 24,000 acres of land containing timber which is said to be second in quality and logging conditions to none on the Pacific coast; 52 miles of railroad, and booming grounds with sufficient storage capacity for 50,000,000 feet of logs. The timber purchased is what is known as yellow fir or virgin growth. The property will be operated to provide production to replace depletion in the South. Plans have not yet been developed, but when perfected will be announced."

The timber included in the deal consists of 24,000 acres of the finest of yellow fir, with a sprinkling of hemlock and red cedar, and located in Columbia, Washington, Clatsop and Tillamook Counties. While the transfer is a stock deal and no figures are given; it is understood the sum of \$7,000,000 is involved. According to an announcement, Mr. Early and Mr. Eccles will retain a 20 per cent interest in the company, the Keith interests taking over the holdings of the Eccles estate and the Browning family. The latter also reside in Utah, Mr. Browning being the inventor of the famous machine gun.

It is understood that advices have been received from Mr. Keith to place 500 men at work on the railroad and rush this to completion. The line runs from Wilkshoro, the terminus of the United Railways, 32 miles to the Columbia County line. The Nehalem Boom Co. has its operations at Burlington on the Willamette Slough, where there are facilities which eventually are expected to handle a million feet of logs per day. Splendid sites for sawmills are contained in water-front land owned by the company, and as the Keith interests have always been producers, it is expected that at least one large sawmill will be erected shortly.

The timber now acquired by the Central Coal & Coke Co. was purchased by Mr. Eccles from the Dubois Lumber Co. in 1917.

If British Columbia has such a tremendous attraction to American buyers, as stated by the few advocates of a tariff on shingles, and if those who advocate the present Fordney retaliatory clause against Canada on lumber, is of such significance, why is it that American investors are placing their money on the Pacific coast during 1912 and not investing in British Columbia? On the opposite side of this page is a newspaper paper clipping from the West Coast Lumberman, September issue, and there was explained in the main exhibit that the Central Coal & Coke Co., of Kansas City, Mo., spent approximately \$40,000 in cruising British Columbia timber lands before finally making any purchase and turned down the British Columbia propositions and invested in Oregon timber.

The high costs of logging, ruggedness of the country, the fluctuations in the methods of assessing timber taxes, making it impossible to know what timber bought to-day will really cost when it is cut, are the main reasons why American investors are now diverting their attentions from British Columbia fields, and of those who have timber in British Columbia, very few of them are operating.

[Conn Subexhibit No. 5.]

Referring to paragraphs 408 (shingles) and 1683 (lumber), requesting free importation without restriction:

Mr. E. E. Case, of Raymond, Wash., did not portray facts in giving the committee data with reference to the number of shingle mills with capacities which were operating in Oregon and Washington during 1921.

There is also given the percentage of sawmills operating and their capacities in the district west of the Cascades in Oregon and Washington. The West Coast Lumbermen's Association is the only group of manufacturers requesting the maintenance of the present retaliatory clause in the Fordney permanent bill (p. 1683).

BEND, OREG., September 10, 1921.

Mr. W. C. STRONG,
Manager, Box Department,
West Coast Lumbermen's Association, Seattle, Wash.

DEAR SIR: We are anxious to obtain an accurate idea of the production at this time of fir lumber, and also to ascertain what percentage of the shingle mills are operating and if possible an estimate of the logging production in the coast districts. Our Mr. L. O. Taylor suggests that you would probably have the material at hand to answer these questions and stated that if you did not have it you could obtain it from either

Mr. Allen or Mr. Brown. We are in a hurry for the information and would be pleased if you would wire us at our expense any figures you have at hand. The specific information we want is as follows:

1. What percentage of the sawmills are operating?
2. What capacity is operating?
3. What percentage of the shingle mills are operating?
4. What capacity is operating?
5. What percentage of the logging camps are operating?
6. What capacity is operating?

Please accept our sincere thanks for anything at all you are able to send us.

Yours, very truly,

THE SHEVLIN-HIXON Co.,
R. D. MOORE,
Assistant General Manager.

[Telegram.]

BEND, OREG., September 14, 1921.

DONALD D. CONN,
900 First National Bank Building, Minneapolis, Minn.:

Refer to letter to Strong inclosed with ours to you of 10th. He wires: "Letter 10th. questions commencing No. 1, 65, 70, 78, 82, 55, 60." West Coast Lumbermen's Association.

SHEVLIN-HIXON CO.

[Conn Sub Exhibit No. 6.]

With reference to paragraph 408 (shingles), requesting their free importation and the elimination of the proposed 50 cents duty carried in the Fordney bill:

Upon request to the Shingle Manufacturers' Association of British Columbia as to the various grades of shingles produced and a comparison of the prices between American and Canadian shingles sold in the United States, the following letter from the secretary of that association is explanatory:

VANCOUVER, BRITISH COLUMBIA,
September 9, 1921.

There are only three grades on which price comparisons can be based, namely, Perfections and Eurekas, and our British Columbia XXXXX and the American 5/2 Perfects. (This 5/2 Perfect was a grade made up by the American mills to compete against our British Columbia XXXXX, which was a special grade.) I have connected with lines and arrows the direct daily comparison of comparable grades on each of these market reports.

An examination will disclose that the British Columbia prices range from 20 cents to \$1.20 over the American grades of the same day. I think this very conclusively proves two things as previously stated—that the British Columbia shingle mills do not undersell the American product, and secondly, that in order to secure this wide premium for British Columbia shingles it is obvious that our grades must be superior and that retail dealers are willing to pay a premium, as shown, to secure this better product.

Yours, truly,

SHINGLE MANUFACTURERS' ASSOCIATION OF BRITISH COLUMBIA.
F. H. LAMAR, Secretary-Manager.

CONN EXHIBIT No. 8.

On August 29, 1921, representatives of a few shingle manufacturers, located at and near Bellingham and Raymond, Wash., appeared before the Finance Committee of the United States Senate and requested the maintenance of 50 cents per thousand duty now contained in the proposed Fordney bill. Many of the statements, made by these advocates of a shingle tariff, have been carefully checked up, and can not be substantiated by facts. There appears to be no really pertinent statement made by these people which has any bearing on the tariff issue, which can be substantiated by facts. Such portions of their testimony as bore directly upon the question of tariff duty, are shown below in allegations and answers to the allegations.

REPUTATION OF THE TESTIMONY OF CONGRESSMAN ALBERT JOHNSON, OF WASHINGTON.

ALLEGATION.

Representative JOHNSON. It seems to be a fact, from what figures I can get, that the States of Oregon and Washington have more standing timber of all species suitable for manufacture than the entire Dominion of Canada.

Senator McLEAN. Is that true? (Authority: Unrevised record, p. 2109.)

ANSWER.

It is a fact that the statement made by Congressman Johnson is true, but the whole story has not been told. While Canada has less standing feet of timber than Oregon and Washington, it is the productive potential stand versus consumption, which tells the true story of our relationship in standing timber with Canada. The existing stand of timber per capita in Canada equals 89,000 feet, in the United States, 21,094 feet. This covers the standing timber for the entire United States.

British Columbia has 23,375 feet of standing timber per capita of Canada, and Oregon and Washington, 5,266 feet of standing timber per capita of the United States. (Authority: Statistics of the Canadian department of forestry and of the United States Forest Service.)

ALLEGATION.

Representative JOHNSON. We also undertook to find the names of the Americans who invested money in British Columbia in timber lands for the purpose of doing business in Canada, and when we undertook to secure these names, we found that British Columbia, all of a sudden, prohibited the publication of any list showing such information, etc. (Authority: Unrevised record, p. 2112.)

ANSWER.

The appended Subexhibit No. 1 is a copy of a letter from the department of lands of British Columbia, dated Victoria, British Columbia, September 9, 1921, in answer to an inquiry which I made through the Timber Industries Council of British Columbia, which shows conclusively that Congressman Johnson has been misinformed. Furthermore, the witness has with him a complete copy of the entire ownership of timber in British Columbia. This will be shown to any member of the Finance Committee upon request.

ALLEGATION.

Representative JOHNSON. From what has appeared, you all can see that the opposition seems to come from those who invested American capital, since the passage of the Underwood bill, in British Columbia land grants. (Authority: Unrevised record, p. 2121.)

ANSWER.

The Western Pine Manufacturers' Association, which comprises 65 of the largest sawmills in the States of Oregon and Washington east of the Cascade Range of mountains and in the States of Montana and Idaho, have passed a resolution against a tariff on lumber, and in this association only 2 operators of the 65 have any interest in British Columbia. One of these operators is cutting his timber for pulp and paper only and not manufacturing lumber, shingles, or logs for manufacturing purposes. The other operator has a small one-band mill in the Crows Nest district of British Columbia and is not manufacturing shingles, only lumber, a small quantity of which is being shipped into the United States. There are 2 other operators out of the 65 mills interested in Ontario and Manitoba stumpage, and 1 of these operators represented the only dissenting vote on the resolution of the 65 member mills in their unqualified opposition to a tariff on wood products.

It is manifest that the action of the Western Pine Manufacturers' Association in opposing a tariff upon lumber and shingles was not controlled or influenced by British Columbia holdings. As a matter of fact, the great opposition to a tariff on lumber, logs, and shingles comes from those people who are interested solely in the United States and are interested in future price stability of their product. Those who have studied market conditions and consumers' demands are unanimously in opposition to any tariff on lumber or shingles.

The honorable Congressman Johnson has stated to your committee that he desired to file a brief setting forth his views as to timber depletion, etc., in an attempt to show

that by restricting the imports of wood products the result would be to conserve American timber. The witness desires the opportunity to answer this brief after it is presented, and his answers will be confined to extracts from report of Government authorities in refutation of the theory which Congressman Johnson states he can practically apply.

[Conn Subexhibit No. —.]

Reference to paragraph 402 (logs), 405 (ties), 408 (shingles), and 1683 (lumber), requesting their free importation without restriction:

Below is given a copy of an extract from a letter of the chief forester, department of lands, British Columbia forest service at Victoria, British Columbia.

Congressman Johnson has not been refused copies of lists of timber holders in British Columbia.

DEPARTMENT OF LANDS, FOREST BRANCH,
Victoria, British Columbia, September 9, 1921.

M. A. GRAINGER, Esq.,
Timber Industries Council of British Columbia,
617-618 Pacific Building, Vancouver, British Columbia.

DEAR SIR: I have before me your letter of the 7th instant, with inclosures. In connection with Congressman Johnson's assertions that a large number of Americans had recently invested money in British Columbia and that the British Columbia government refused to give out a list of license holders, I beg to say that this is absolutely incorrect.

The government refuses to allow the publication under official sanction of lists of timber license holders for the obvious reason, as transfers are being received daily, that such published lists are always misleading and never up to date. Our records, however, are always available and we prepare and give out for personal use to any interested parties lists of license holders at any particular date. Thus Mr. Johnson's representative when in British Columbia could readily have obtained any information in connection with the holders of any or all timber licenses or leases from the Crown

Yours, truly,

P. Z. CAVERHILL, Chief Forester.

Mr. CONN. Senator McCumber, you asked one of the shingle tariff advocates, when they were here, about the timber cut off of the McKenzie Pass Road. We have in operation a large sawmill on the east side of the McKenzie slope, and our assistant general manager went over this road himself in order to intelligently answer your inquiry, and I have his letter on the subject, Subexhibit 1 to Exhibit 6. The lumber has been cut off the pass, and they put a little one-band mill up, though I think that was some time after the logs were cut.

Senator McCUMBER. I asked the question at that time out there if there could not be a portable mill erected to saw that and haul it down to the railways, and I was informed that the labor cost would be so high that even then, with the high price of lumber in 1920, that it would not pay anybody to do it.

Mr. CONN. He says [reading]:

You might advise him that a portable sawmill was operated on this road at Belknap Springs, which sawmill was moved later closer to Eugene.

That was some time later, after your visit.

I have an exhibit that I would like to file, which is a summary of the points I brought out in these other exhibits on the shingle subject.

Senator McCUMBER. That will be read.

(The summary referred to is as follows:)

SUMMARY OF EXHIBITS.

A REQUEST THAT SHINGLES REMAIN ON THE FREE LIST.

The exhibits presented requesting free shingles show—

1. The costs of production are higher in British Columbia than they are in the State of Washington.
2. Labor costs are higher in British Columbia than they are in the State of Washington.

3. Canadian shingles do not undersell the American shingles in the American market.

4. The competition of substitute roofings is responsible for the present condition in the shingle industry, not outside wooden shingles.

5. The American logger is only and solely responsible for the supply of logs to American shingle mills.

6. Prices of shingles in the State of Washington advanced so rapidly at the time those shingle tariff advocates were before the Finance Committee asking protection that on October 1 it was necessary to guarantee the price of shingles against further advances. These advances took place without the aid of any tariff protection.

7. British Columbia shingles are generally a better manufactured article than the Washington shingles, and the man that desires a British Columbia shingle will not necessarily substitute in its place an American shingle.

The entire case before the Ways and Means Committee made by the few shingle tariff advocates is based upon the assumed disadvantages in importing a very small percentage of cedar logs from British Columbia, the total imports of which constitute but one-fiftieth of the total amount of logs used in the States of Oregon and Washington in the manufacture of shingles.

The shingle tariff advocates would increase the mill base price of 7,000,000,000 shingles annually in order to offset an assumed disadvantage to a few mills around Bellingham, Anacortes, and Raymond, Wash., whose prices of logs are entirely controlled by the American logger.

Mr. CONN. When the shingle tariff advocates were before this committee they were talking about the low prices they received for shingles. On the day they were down here the prices advanced 50 cents on the coast and continued to advance until October 1 they had to stabilize and guarantee shingle prices against further advances on the coast.

I have prepared an exhibit which I would like to file and which I do not expect to be printed, because so voluminous, and I have marked the pages where you will find the statements I referred to.

This is an editorial in the West Coast Lumberman, of October 1, 1921, and it says, among other things, that [reading]:

Shingles have continued to advance to the point where leading manufacturers hope that there will be no further increase in prices.

If the leading manufacturers in our shingle industry hope—

Senator JONES (interposing). I think I may safely advise that if you expect any of those things to be considered by the committee you had better shorten them up and put them in the record.

Mr. CONN. These are all going into the record.

Senator JONES. I understood you were not going to put them all in the record.

Mr. CONN. I will tear the first page out, and ask that to be printed.

Senator McCUMBER. The first page referred to will be printed as a part of your remarks.

[From the West Coast Lumberman, Oct. 1, 1921.]

GUARANTEED SHINGLE PRICES.

One of the Northwest leading producers of red-cedar shingles has notified its many customers that it will guarantee them against any further advance in prices until January 1. This move was made in the hope that it might be able to prevent another spectacular jump in the price of shingles, jumps which have been occurring now and then for years and which have been harmful to the industry.

If the price of shingles could be held at a level which would enable the manufacturers to pay fair wages and make for themselves a reasonable profit and at the same time permit the retailer to ask a price that the trade is willing to pay, the industry would be benefited. A steady, stable shingle price would mean more continuous manufacturing activity on the part of the mills. Dealers with prices fairly uniform would be able to operate more intelligently. Speculation would be removed and the industry placed upon a better basis.

Other shingle manufacturers would do well to guarantee their prices.

In addition to the factors enumerated above, there developed during the latter part of August and September a legitimate consumers' demand for red-cedar shingles. Moreover, mills in British Columbia were forced to close when the operators attempted to reduce the wages of their employees.

One must keep constantly in mind the important fact that production has been greatly curtailed all the year in the Pacific Northwest. On top of this there has been a very heavy export business and also heavy shipments to the Atlantic coast. Some concerns who confine their efforts to rail trade have not realized the extent of the lumber business which has been going on all summer, and now that the rail demand seems to be reviving they find that stocks are badly broken everywhere. Many buyers have testified to the difficulty that they have had in inducing mills to accept mixed car shipments.

Shingles have continued to advance to the point where leading manufacturers hope that there will be no further increase in prices. In fact, one of the largest producers of the Northwest is out with a guaranteed price good until January 1. This manufacturer believes that further advances will be harmful, and if he can induce several other producers to guarantee their prices, the general demand for red-cedar shingles will not be checked as they fear it will be if prices keep on skyrocketing. There has been a legitimate cause for the advance in shingle prices. The contributing causes are: Limited production all summer; the fact that stocks at storage points and in transit a month or six weeks ago were the lowest that they had been for months; cedar logs are becoming increasingly scarce, due not only to the steady exhaustion of the supply of raw material, but more especially at this time to the fact that Japan is purchasing millions of feet of red-cedar logs.

Mr. CONN. I would also like to file these clippings from the Timberman, a Portland, Oreg., journal, and request that only those be printed that are blue penciled.

Senator WATSON. They bear on the tariff question?

Mr. CONN. They bear on the tariff question as to the price on logs in Washington and British Columbia.

(The clippings referred to are as follows:)

LOG MARKET.

PORTLAND, OREG., August 12.

Spruce logs are slightly stronger in price, the quotations being \$12, \$18, and \$25. Cedar is in better demand, but scarce, with \$15 as a base. Yellow fir is quoted at \$11, \$15, and \$19, with a slightly stronger demand. Red fir is holding at \$14 base. No demand for hemlock except from the paper mills.

HOQUIAM, WASH., August 12.

Fir logs are bringing \$12, \$16, and \$20; cedar, \$15; spruce \$12, \$16, and \$20; hemlock, \$8. There is no surplus of logs.

SEATTLE, WASH., August 13.

Log market on Puget Sound has not changed materially in 30 days. Shingle cedar is quoted at \$16, with few sales at a slight advance. Fir logs \$12, \$16, and \$20. Hemlock weak at \$8. Low-grade fir \$10 to \$12.

VANCOUVER, BRITISH COLUMBIA, August 15.

Camp run fir bringing \$11 to \$14; cedar, \$15 to \$19 for shingle logs; hemlock, \$8; practically no spruce moving.

Senator JONES. Have you anywhere given the wholesale price of shingles prior to the war, during the war, and at the present time?

Mr. CONN. In my Exhibit No. 6 I sent a questionnaire to all our salesmen throughout the country to get the prices on United States shingles and British Columbia shingles, at what they were selling laid down at destination, same freight applying from both Canadian and American producing points. They have the same freight rate into the United States.

Senator JONES. Will you give us a typical illustration of those prices?

Mr. CONN. At Chicago, in September, 1921, 6/2 red cedar United States shingles sold at \$4.23 delivered; 5/12 British Columbia red-cedar shingles during the same period sold at \$5.25 delivered.

In Iowa the prices for 1921 British Columbia XXXXX range all the way from \$5.36 to \$5.56 delivered for strictly XXXXX. The spread between the XXXXX British Columbia shingles and the 5/2 United States clears and the common 5/2 Washington shingles was from 30 cents to 55 cents. Wisconsin—

Senator JONES (interposing). What were the prices of those shingles prior to the war?

Mr. CONN. I have not got those here, but I will see that a statement is furnished this evening for the record covering that.

Senator SMOOR. Put it right in as a part of your remarks, that record you have there.

Mr. CONN. The actual planograph copies of price lists of British Columbia and the United States shingles on different specified rates. Those are actually what these wholesalers are selling the shingles for during this period.

Senator JONES. We would like to get a comparison of the prewar prices.

Mr. CONN. I can get those together very quickly.

I have a circular I would like to file in the record. It was sent to the members of the West Coast Lumberman's Association by its secretary, which is explanatory.

(The circular referred to is as follows:)

Reference to paragraph 1683 (lumber), requesting its free importation without restriction:

Below is given an exact copy of a circular sent to members of the West Coast Lumbermen's Association by Robert B. Allen, secretary of that organization. Note particularly the references made to a so-called Canadian lumber lobby (which does not exist) and the charges that—

1. It had influenced the report of the Federal Trade Commission.
2. It had influenced Members of the House of Representatives.

LUMBER TARIFF AND PANAMA TOLLS.

SEATTLE WASH., July 8, 1921.

To members and nonmembers:

Pursuant to instruction from the governing board, West Coast Lumbermen's Association has made a hard, clean fight for reciprocal lumber duties in the Fordney tariff bill.

The west coast position was opposed by a strongly financed and rather unscrupulous body at Washington, D. C., which lobby is generally credited with having in some manner influenced the recent erroneous and unjustified attack on the west coast lumber industry by the Federal Trade Commission.

However, the West Coast Association's tariff contentions were overwhelmingly sustained in the Republican caucus of the House of Representatives this week, at which it was agreed that there would be no separate vote on lumber schedule as reported by the Ways and Means Committee.

It means that there is very little likelihood of a fight on the floor of the House, in the general debate, in so far as lumber is concerned, and that the bill to be passed by the House will carry reciprocal duties on lumber and a straight specific protective duty of 50 cents on shingles.

Oregon and Washington Congressmen made effective speeches in the Republican caucus and were congratulated by other members of the House who had been previously influenced by the so-called Canadian lumber lobby. Many Congressmen previously prejudiced against the west coast tariff idea voted in favor of it in caucus.

To all appearances therefore the tariff fight is won, and it is respectfully suggested that mills immediately telegraph their Congressmen expressing appreciation of the manner in which they handled this problem for the West in the face of unjustified prejudice against the west coast industry as a whole, by reason of the Federal Trade Commission report.

The Oregon and Washington Members of the House of Representatives, as well as Chairman Fordney of the Ways and Means Committee, are entitled to an expression of appreciation from the industry, and the association urges that telegrams be sent immediately to Hon. Joseph Fordney, Hon. Lindley H. Hadley, Hon. Willis C. Hawley, Hon. C. N. McArthur, Hon. Albert Johnson, and Hon. John Miller.

Upon instruction from the governing board, the association has been active in its effort to secure the passage of a bill by Congress exempting from Panama tolls all American ships engaged in intercoastal service.

This bill has been reported out unanimously by the Senate Committee on Inter-oceanic Canals, of which Senator Borah is chairman.

Yesterday Senator Borah had a conference with the President, after which Mr. Borah issued a statement saying that he and his friends would oppose any Senate recess until a vote is had on the canal free tolls bill, or until the Senate fixes a definite date for voting on the bill.

Senator Borah is of the opinion that he can get a date agreed upon for voting on free Panama tolls before the end of July.

In this connection it is announced that the British Government has made formal statement that the provisions of the Hay-Pauncefote treaty will not preclude free tolls for American ships in intercoastal service.

Senator Borah would undoubtedly appreciate letters or telegrams from west coast people expressing appreciation of his splendid work in connection with free tolls legislation.

-WEST COAST LUMBERMEN'S ASSOCIATION.

Mr. CONN. I would like to say one thing about logs. I did not ask to appear on logs. There is a duty of \$1 a thousand on logs in this tariff. The loggers on the Puget Sound asked for that duty. There are only from 20,000,000 to 28,000,000 feet of logs imported from British Columbia to this country, and they manufacture on the west coast about 7,000,000,000 feet of lumber. Allowing for the overrun, that would mean 6,000,000,000 feet of logs. They have asked for protection against imports of 28,000,000 feet of logs from British Columbia, or they desire to be protected against an importation the amount of which couldn't be found when contrasted with the total production of logs in Oregon and Washington.

Summarizing the situation on wood products we have not a single reason for maintaining the retaliatory clause in paragraph 1683; there is not one fact to support a penny of duty on shingles, logs, or ties—a glaring inconsistency. The American logger desires a duty on logs to protect himself against British Columbia logs. The American shingle operator desires a duty on shingles because he can not get British Columbia logs. A gross absurdity.

You will find figures to substantiate that in the shingle briefs.

Thank you, sir.

STATEMENT OF HARRISON HATTON, SECRETARY NORTHWESTERN LUMBERMEN'S ASSOCIATION, MINNEAPOLIS, MINN.

Mr. HATTON. My name is Harrison Hatton; I am secretary of the Northwestern Lumbermen's Association, with headquarters at Minneapolis. Our organization comprises 2,800 retail yards.

Our position simply is this: We have to-day standing on the books of our organization approximately \$85,000,000 owed to the various firms by some 65,000 farmers in the States of Iowa, Minnesota, North Dakota, and eastern Nebraska; and our membership feels that the

trend of prices to the consumer is downward, and that anything which indirectly obstructs the recession in prices is against sound public policy at this time.

Senator SMOOT. You want free shingles, and you want the proviso in 1683 out?

Mr. HATTON. Exactly; and we feel that if lumber and shingles are on the free list that that will be reflected all down the line; on the other hand, if this 50 cent duty is put on, and this retaliatory clause remains, it will be reflected in the prices all down the line.

The membership of the association absorbs approximately 4,000 cars of Canadian lumber annually; and, in addition, we utilize approximately 15,000 cars of shingles, and it is the idea of our members that if the proposed tariff conditions are imposed that the membership will absorb an additional charge right in our own immediate territory of several hundred thousand dollars, and that this ultimately the consumer will be assessed for in the sum of a half million dollars a year. That matter, we might add, is merely an estimate, but it probably will increase rather than decrease under those provisions.

Senator JONES. When your customers are burning corn a half million dollars amounts to something?

Mr. HATTON. It does. Gentlemen of the committee, I thank you for the opportunity.

If I may, I should like to submit this brief.

(The brief referred to is as follows.)

I represent the Northwestern Lumbermen's Association, composed of 2,800 retail lumber yards in the States of Iowa, Minnesota, North and South Dakota, and eastern Nebraska.

Our organization officially is on record as opposed to any tariff of any description on lumber at this time. This action was taken by unanimous vote of delegates from more than 2,000 yards at our annual meeting.

It is the position of our membership that the trend of prices to the consumer is downward, and that anything which even indirectly obstructs this recession in prices is against sound public policy.

It is the feeling of our members that any tariff on lumber and shingles will tend to increase costs to the ultimate consumer. The position of our members is directly in line with the position of the farmer in the States in which we operate, for the reason that right now, to-day, our members are carrying on their books the accounts of more than 65,000 farmers for a total amount in excess of \$85,000,000.

In the last analysis the welfare of the consumer on the farm is the welfare of our member; therefore, we stand shoulder to shoulder with him on this tariff proposition.

Seventy-five per cent of our member yards are located in towns of 500 or less population; and the big end of the business is done with the farmer trade.

Our member yards now are absorbing more than 4,000 cars of Canadian lumber annually. For this reason we are directly concerned in this tariff issue.

In addition, our membership utilizes approximately 15,000 cars of shingles annually. It is the idea of our members that if the proposed tariff conditions are imposed that our membership will absorb an additional charge of several hundred thousand dollars per year in lumber costs and that ultimately the consumer will be assessed for something more than half a million dollars annually.

This may seem a comparatively small amount, but with conditions that prevail to-day with the farmers in Iowa, Minnesota, the Dakotas, and Nebraska, our organization is bending every effort to reduce consumers' costs at every possible point. There is the reason for our activity on this proposition.

During the last year our members have reduced overhead charges on the handling of lumber more than 50 per cent. In hundreds of yards labor has been reduced one-half. In the face of increased freight advances of from \$2 to \$5 per thousand, our members have brought retail prices down all the way from \$10 to \$25 per thousand feet on various grades.

STATEMENT OF FRED J. BRUCE, REPRESENTING NEW YORK LUMBER TRADE ASSOCIATION, NEW YORK, N. Y.

Mr. BRUCE. I represent the New York Lumber Trade Association, and through our membership, wholesale and retail, about 90 per cent of the business done in the metropolitan district passes through our hands. I will not take more than one minute. We just want to go on record that our position, boiled down, is as these different gentlemen have covered the subject.

I might say, in speaking of the New York Lumber Trade Association, that none of us, to the best of my knowledge and belief, have any permanent investment in Canada; some of us might buy lumber and ship it out soon after. Some of our members are interested in Maine mills and mid-West and western mills.

So their resolution, which I would like to put in the record, boiled right down, is simply this—that they unanimously oppose any duty or reciprocal or retaliatory provision on Canadian lumber.

Senator SMOOT. You want free Canadian lumber?

Mr. BRUCE. We do, because any duty would add to the cost of construction and would be contrary to our forest conservation policy.

(The resolutions referred to are as follows:)

The New York Lumber Trade Association assembled in general meeting at New York City, April 20, 1921, passed the following resolution:

Whereas it is reported that the Ways and Means Committee of the House of Representatives is considering levying a duty on Canadian lumber imported into the United States; and

Whereas we view with strong disapproval this measure, for which there seems to be no good cause, and which for the following reasons would do harm:

First. It is directed at Canada, which our trade statistics show is our best per capita customer in the world, buying from us 75 to 80 per cent of her total imports.

Second. Canada buys almost \$2 worth of our goods as against \$1 worth of hers sold us. If she can not pay us largely in raw materials she must buy from other countries, as she has not sufficient gold to pay largely in this medium. Her already large unfavorable trade balance has cheapened her dollar to about 85 cents. A mounting rate of exchange means less buying power.

Third. Lumber is Canada's biggest single item of export, and, consequently, one of her main means of paying her bills.

Fourth. At a time when our industries are suffering from the falling off in European and foreign trade we can not afford to jeopardize our Canadian market.

Fifth. It is generally conceded that our lumber industry needs no protection, as it costs more to lumber in Canada than in the United States.

Sixth. As a source of revenue it would not be worth while.

Seventh. It would likely cause retaliation on the part of Canada.

Now, therefore, be it

Resolved, That we, the members of the New York Lumber Trade Association, protest against the proposal to place a duty on Canadian lumber: And be it further

Resolved, That the officers of this association and individual members therefore urge upon our Representatives in Congress to vigorously oppose this proposed legislation.

NEW YORK LUMBER TRADE ASSOCIATION,
H. B. COHO, *Secretary*.

WORKS OF ART.

[Paragraphs 1685 and 1686.]

STATEMENT OF JOHN QUINN, REPRESENTING AMERICAN FEDERATION OF FINE ARTS, NEW YORK CITY.

Mr. QUINN. My name is John Quinn, and I represent the American Federation of Arts, the National Academy of Design of New York,

the National Arts Club of New York, the Fine Arts Federation of New York, the League of New York Artists (Inc.), the Fine Arts Federation of New York, and other art bodies generally throughout the country.

Senator SMOOT. Mr. Quinn, you have been here before?

Mr. QUINN. Yes, Senator.

Senator SMOOT. We have your testimony complete, and I have rather digested it.

Mr. QUINN. I was here on the tax provision of the present revenue act. I appeared before this committee when the revenue act of 1921 was under consideration, in support of the plea of the art associations and art bodies that I represent that the sales tax upon art sales should be removed. As you know, the 10 per cent tax on art sales was reduced to 5 per cent, and there is now under the revenue act of 1921 a 5 per cent tax upon art sales.

I will tell you very briefly what I want. I am here, in one word, to keep art on the free list, so far as the free list is concerned. It is on the free list now. Nobody is asking any protection, neither American artists nor anybody. To keep art on the free list is sound Republican doctrine. It has been on the free list as to all art except art less than 20 years old since the year 1909 and as to all original art, whether ancient or modern, since 1913.

Art sales are taxed now at the rate of 5 per cent. I made the fight to take the tax off of art sales on the ground that art was not a thing that revenue should be derived from, but that the Government should encourage rather than tax it. Art sales are taxed 5 per cent, whether imported or not. I will not bother the committee to recite the institutions that I represent, but they are practically all the art institutions of the United States.

Senator SMOOT. You have no objections to paragraph 1686, have you?

Mr. QUINN. Not to paragraph 1686, Senator, for that relates to works of art, drawings and engravings for exhibition and illustration in the promotion and encouragement of art, science, and industry. That provision is an old provision and need not be touched. The free art paragraph is paragraph 1685, not paragraph 1686. I have one small but important amendment which I should like to have made to the free art paragraph 1685, which amendment I should like to have printed with my general remarks.

Senator SMOOT. What is that amendment? Will you suggest it now?

Mr. QUINN. Yes, Senator. It is a little technical. There are two things there—1685; which is, Senator—

Senator SMOOT (interposing). No; that is the House bill; 1686 is the same, only it is a different thing.

Mr. QUINN. Senator, paragraph 1685 is the free art paragraph. That was the number of the free art paragraph in the House bill as it passed, and it is the number in the Senate reprint of the House bill.

The amendment that I have in mind is for the purpose of clarifying the law and has been necessitated by some decisions of the department. It is a comparatively small point but, it is very important, as it has caused a great deal of confusion and complaint and heartburnings in the administration of the law. It is this:

Paragraph 1685 admits original paintings in oil, mineral and water colors, and also in pastels, and then provides for the free admission of "original drawings and sketches in pen and ink or pencil and water colors." Two different things should be distinguished here. First, the things to be admitted duty free, namely, original drawings and also original sketches. Those are the things to be admitted free. Next come the provisions as to the medium in which those things may be executed or done. The law now reads, "in pen and ink or pencil and water colors." The department has held that that means that original drawings or original sketches to come in duty free must be a combination of either (a) pen and ink or pencil with water colors, or (b) pencil drawings with water colors. Now, as a matter of fact, it is very seldom that drawings or sketches are made up of a combination of pen and ink with water colors, or are made in pencil with water colors. Original drawings as well as original sketches may be of many kinds and may be either in pen and ink alone, in pencil alone, in pastel, in water colors, crayon, charcoal, chalk, silver point, gold point, or in other mediums, or in a combination of one or more of those mediums. The department has made a very rigid ruling upon the words "in pen and ink or pencil and water colors." They have held, as I have said, that an original drawing or an original sketch to come in free must be either in pen and ink with water colors or in pencil with water colors.

Senator SMOOT. Works of art, drawings in pen and ink?

Mr. QUINN. Paragraph 1685 as passed in the House bill now reads: "original drawings and sketches in pen and ink or pencil and water colors." The department in construing the law read those provisions together.

It is very seldom, if ever, that there is a drawing in pen and ink and water color or a drawing part in pencil and part in water color. The way the examiners have construed former paragraph 652 (present proposed paragraph 1685) requires that original sketches or original drawings must be in pen and ink and water color, or in pencil and water color; and the result is that some very priceless sketches or drawings in pen and ink alone or in pencil alone have been held to be dutiable. In fact, the department's construction makes practically all original drawings and sketches dutiable except the very rare, the exceedingly rare, combination of original sketches or drawings in pen and ink and water color, or in pencil and water color. And that was not the intention of Congress or of the draftsman of former paragraph 652 (present proposed paragraph 1685).

Senator SMOOT. Why not say, "and sketches in"——

Mr. QUINN (interposing). That is, drawings and sketches in pen and ink, or pencil, or water colors.

Senator SMOOT. Why not strike off the word "and" and put in a comma—say "pen, ink, or pencil"?

Mr. QUINN. That would be one way to do it. The department has ruled that it must be pen and ink, which is one thing, with water color or pencil in contrast to pen and ink with water color. If an original sketch or drawing comes in that is not one or the other of those two combinations they say, "This does not present the two combinations," and, therefore, it is taxed. It is a very strained and narrow construction of the law, but it is the law as construed by the department.

Senator SMOOT. The "and" is a conjunction.—

Mr. QUINN. They so construe it. I will send a brief memorandum to be included in the revision of my remarks giving the exact language. My point would be accomplished by striking out the words after "original drawings and sketches," reading, "in pen and ink or pencil and water colors," and making the provision read thus: "original drawings and sketches in any medium or in any combination of mediums." That is a broad and comprehensive provision and would include all kinds of original drawings and sketches.

Senator SMOOT. Very well, that will be all right.

Mr. QUINN. There is another change that should be made in paragraph 1529. Present proposed paragraph 1529 is part of the present law, paragraph 425, relative to engravings, etchings, and lithographic prints. The existing tariff law of 1913, paragraph 425, put on the free list, among other things, "engravings * * * etchings, lithographic prints, bound or unbound * * * which shall have been printed more than 20 years at the date of importation." For some reason that provision was left out of present paragraph 1529 in the House bill. I am sure that that was inadvertent, for the House committee did not intend to change any of the free art provisions of the old act. But for some reason, in striking out the provisions relating to books over 20 years old, the art provisions were stricken out. I ask the insertion in paragraph 1529 of the provisions of the former law, paragraph 425. The present paragraph 1529 leaves out the provision which was in the old law admitting free etchings and engravings 20 years old.

Senator SMOOT. We have a note of that. Senator Lodge called attention to it, and I think you also spoke of it before the committee.

Mr. QUINN. Yes; I did. I think the omission of those words in proposed paragraph 1529 was quite inadvertent. I had this matter up twice with the subcommittee of the House Ways and Means Committee when this pending tariff bill was under discussion, and they never intended to change the free art provisions. I am certain, therefore, that the dropping out of those words from former paragraph 425 (present proposed paragraph 1529) was quite inadvertent. There are a great many etchings and lithographic prints which are more than 20 years old and which are of highly artistic value. To leave out of paragraph 1529 the provision admitting "engravings, etchings, and lithographic prints, bound and unbound, which shall have been printed more than 20 years at the date of importation," would be to tax some of the greatest works of art in the world, like the etchings of Rembrandt, that supreme master of etching, the prints of Durer, the etchings of the great Spanish master Goya, and other engravings, etchings, and lithographic prints which are real masterpieces. It is important, therefore, to have those provisions restored to paragraph 1529, Senator, because in paragraph 1685, the free-list section, only artist's proof etchings unbound and engravings and woodcuts unbound are admitted free. It has been the ruling of the New York customhouse that an artist's proof was one which bore a manuscript signature by the artist. The masterpieces in engraving, in etching, and in lithography by such great artists as Rembrandt, Durer, Goya, Meryon, and hundreds of others that could be named, all long dead and all over 20 years old, and where no artist's signature is possible, are not signed and could not and

would not come in as artist's proof copies under the provisions of paragraph 1685 admitting artist's proof etchings unbound and engravings and wood cuts unbound.

Senator SMOOT. If you have the exact words, I will put them in.

Mr. QUINN. I will send the exact words in my memorandum. But, briefly, it is that in paragraph 1529 there should be restored the following words: "engravings, etchings, and lithographic prints, bound or unbound, which shall have been printed more than 20 years at the date of importation, and all" (here would follow the present text of paragraph 1529).

The insertion of that provision at the beginning of proposed paragraph 1529 will restore to the proposed law the provisions of paragraph 425 of the present law relating to engravings, etchings, and lithographic prints.

Mr. Chairman and Senators, Mr. Robert W. de Forest, who is the president of the Metropolitan Museum of New York, wanted to come down to join with me in this plea. Mr. de Forest has done more to make the Metropolitan Museum of New York a vital force in the art world of America than any other man. He has done a great work on the educational side of the activities of that great museum. He was the leader of the fight to take the tariff off art in the year 1909. He is the president of the American Free Art Federation. He wanted to come down here and join with me in this plea, but personal reasons prevented him from doing so. I received yesterday from him a letter notifying me that he could not come down, from which letter I quote:

I greatly regret that I can not personally go to Washington to present this matter myself. Illness in the family prevents; but I should be glad to have my appearance noted, if it be appropriate, and to have this little address stand for an expression of my views, not as an art collector myself, but as representing the more than a million people from all parts of the country who visited our Metropolitan Museum during this year, and as representing the many manufacturers who seek inspiration and profit for themselves and for the country from the use to which they put our exhibits.

He asks me to have this short, two-page statement printed.

Senator McCUMBER. That may be done.

(The statement referred to is as follows:)

[Reprint from The American Magazine of Art, September, 1921.]

FREE ART IN DANGER.

[Address by Robert W. de Forest, president of the American Federation of Arts, twelfth annual convention, Washington, D. C., May, 1921.]

It may not be known to you that the battle for free art, a battle in which this federation took so important and successful a part in 1909 and in 1913, may have to be fought over again and that it is seriously proposed, in connection with the present revision of the tariff under consideration by the House of Representatives, to put a tax on art.¹

¹ Since this address was delivered, the new tariff bill has been reported to and passed by the House. Fortunately, art, under this bill, remains on the free list, except for some classes of etchings (presumably an inadvertence which will be corrected). The bill is now before the Senate. In 1913 it was not until the report of the conference committee of the Senate and the House that art was made free in the tariff. It should not, therefore, be assumed that free art is now assured. The battle is still on. The important provisions of the new tariff act relating to free art, as adopted by the House, read as follows:

"Free list:
"PAR. 1684. Original paintings in oil, mineral, water or other colors, pastels, original drawings and sketches in pen and ink or pencil and water colors, artists' proof etchings unbound and engravings and woodcuts unbound, original sculptures or statuary, including not more than two replicas of the same; but the term 'sculpture' and 'statuary' as used in this paragraph shall be understood to include professional productions of sculpture only, whether in round or in relief, in bronze, marble, stone, terra cotta, ivory, wood or metal, or whether cut, carved or otherwise wrought by hand from the solid block or mass of marble,

That is a situation inconceivable to this audience. Indeed, it seems inconceivable that our American people, with their increasing appreciation of art and their rapid development of art museums, both the outcome in large measure of our present free art tariff policy, should have to learn again a lesson which they once learned and which all of us supposed they would always remember. But however inconceivable, it is a fact.

The cause of those who will naturally oppose a tariff on art is not represented before Congress by any lobbyists or lawyers, as is at the present time almost every interest in the United States which has anything at stake in tariff legislation. Those who believe in free art, and we have reasons to suppose that this includes a vast majority of the American people—it certainly includes all who are interested in culture, in education, and the development of every industry into which art enters—are, as respects these tariff proposals, very much in the position of the "ultimate consumer," in that they have no ready means of making themselves heard. It is, therefore, all the more appropriate that those of us who come here, as we do from all parts of the country, who belong to a national organization devoted to the cause of art, who have no interest except the public interest, should speak out and should speak out at this time so that Congress may hear. Not only that we should speak out here, but that we should each of us have sufficient knowledge of this particular situation to exercise our influence elsewhere.

We should, each one of us, know what has gone before. We should, each one of us, know what the past policy of our country has been as respects art in the tariff, what it should be, why it should be, what it is now and why it should continue to be free art, so as to be able to speak and write effectively.

Therefore, let me recall to you the present situation of art in the tariff, a situation which should be continued and which should not be changed.

Under the present tariff—the so-called Underwood tariff of 1913—paintings, sculptures, drawings, and etchings, are on the free list and so are all objects of art of ornamental character or educational value, which have been produced more than 100 years prior to the date of importation. Under the last previous tariff, that of 1909—the so-called Payne-Aldrich tariff—the same situation was created with one very important exception: Free entry for paintings, sculptures and etchings was only accorded to those which had been in existence more than 20 years prior to the date of their importation.

In the enactment of both these tariffs, the federation took an important part in cooperation with all the educational interests of the country. The tariff of 1909 represented a long step toward free art. It was not so long a step as the federation and its associates in this movement wished to have taken but it was as far as we could get then. It was not until the enactment of the tariff in 1913 that the victory of free art was finally attained. That victory represented nearly 10 years of persistent, concerted effort on the part of those who had no selfish end to attain and who were seeking only the interests of the people.

What was the tariff on art previous to 1909 which led to these strenuous campaigns for free art? It was a situation shameful to the American people, a situation contrary to past American policy toward art, as illustrated by previous tariffs enacted under administrations of different political parties. There was a tariff on every kind of art. There was a 20 per cent tariff on all paintings, a 20 per cent tariff on all statuary, a 25 per cent tariff on etchings, and a tariff on practically all other objects of art according to material, without regard to the date of production, so that a Greek vase and a Roman bronze paid the same duty as an earthen pot and a bronze figurine manufactured by the hundred the week before importation. I remember both these instances, because the then president of our Metropolitan Museum of Art imported them and had to pay the duty on both, which as I recall was in one case 65 per cent and in the other 45 per cent ad valorem. That was the tariff of 1897, which represented a departure from all previous American tariff precedents relating to art. It was a distinct departure from the last previous tariff of 1894, under which all art, practically speaking, was free.

(Footnote concluded from page 5015.)

stone or alabaster, or from metal, or cast in bronze or other metal substance, or from wax or plaster, made as the professional product of sculptors only; and the words 'painting' and 'sculpture' and 'statuary' as used in the paragraph shall not be understood to include any articles of utility, nor such as are made wholly or in part by stenciling or any other mechanical process; and the words 'etchings,' 'engravings,' and 'woodcuts' as used in this paragraph shall be understood to include only such as are printed by hand from plates or blocks etched or engraved with hand tools and not such as are printed from plates or blocks etched or engraved by photochemical or other mechanical process.

"PAR. 1668. Works of art (except rugs and carpets), collections in illustration of the progress of the arts, works in bronze, marble, terra cotta, parian, pottery or porcelain, artistic antiquities, and objects of art of ornamental character or educational value which shall have been produced more than one hundred years prior to the date of importation, but the free importation of such objects shall be subject to such regulations as to proof of antiquity as the Secretary of the Treasury may prescribe."

From 1846 continuously until 1897 antiquities, which included all objects of art, even not so old as 100 years, had been free. From 1846 continuously until the time of our Civil War in 1861, paintings and statuary had been free and a small duty had been imposed on drawings and etchings. From 1861 on, under the stress of our Civil War, a small duty which amounted to only 10 per cent, except under the tariffs of 1883 and 1890, when it was slightly increased, was imposed on paintings, statuary and drawings, all of which were made free in 1894.

With this history of tariff legislation in mind, it is plain that as a rule, with trifling exceptions under special circumstances, free art has been the policy of all political parties.

Has this policy of free art to which we returned in 1909 justified itself? Suppose we were asked this by our Congressmen and Senators and by the editorial writers of the press, who do so much to mold public opinion. We should answer yes. The proof is that under this policy our national artistic possessions have vastly increased, our art museums have had a stupendous growth, and every industry into which art enters has had a marvelous development. Works of art of all kinds, paintings, statuary, objects of decorative and industrial art, most of them over 100 years old and not competing in any sense with American productions, but inspiring them, have come into the country in large numbers.

It is not only the Metropolitan Museum in New York and the Boston Museum of Fine Arts and the Art Institute of Chicago which have grown and developed within that period, but innumerable art museums have been established throughout the entire country, perhaps most notably in the industrial centers in the Middle West. Some of these, like the art museums of Cleveland, Minneapolis, Toledo, Detroit, and Cincinnati, not to mention others, are already great museums.

There would have been no such development except for our present policy of free art. Not that many of these museums buy directly from abroad; the purchases in the first instance have usually been made by private collectors who would not have bought to any like degree under any other tariff policy. But the people through our museums are falling heir in increasing numbers to all these treasures of art, and they are being brought here under our policy of free art in spite of the efforts of many European countries to keep them away from us, efforts illustrated by prohibition of export without government consent and export duties.

Every one of us knows what this development of art museums means to the people. But our Congressmen and our Senators, who see pictures and statues in rich men's houses, may not realize that our art museums under the tariff policy of free art are giving this luxury, if such it be, to everyone, rich and poor, and particularly to the poor who can not have art in their own homes. I hate the word luxury as applied to art. It is an absolute misnomer. What our art museums are doing is to supply what in our present phase of civilization is a necessity. They give to every man, woman, and child in this country the opportunity of seeing, enjoying (even if it be nothing more than enjoyment), and learning, if they are to put their enjoyment to practical use in making their living. For there is no branch of industry or production of industry into which art can not enter.

In further proof of the wisdom of this policy we can point to the vast number of people who in recent years have visited our art museums to enjoy and to learn. I am sure I am well within bounds when I say that last year more than 10,000,000 people visited our art museums in different parts of the country. I know that nearly 1,000,000 came to our art museum in New York. I know that more than 1,000,000 came to the art museum in Chicago. (I am quite ready to give Chicago the palm for attendance.)

What does this mean to our people? It means an enormous increase in their opportunities for enjoyment, for education, and for fitting themselves for industrial activities. It means an enormous increase in the values of all the products of industry into which art enters, and this increase is comparatively recent.

No one who is at all familiar with museum exhibitions of the last 10 years can fail to realize the impulse given by them to our national industries. I will use an illustration with which I happen to be familiar—the Manufacturers' Exhibition, which has been held in our New York Museum for the past five years and which is confined to manufactures inspired by objects of art in our museum. The exhibits comprise furniture, silverware, textiles, almost every kind of manufactured articles which has any element of art. I happen to have before me a letter from the president of one of the largest manufactories of the country, the Gorham Co., with regard to these exhibitions. It comes to me out of a clear sky. He writes:

"No words of mine can possibly do justice to what I consider the value to the American manufacturers at the present time of the service of the Metropolitan Museum of Art in these exhibitions. When the sum total of the progress made in art and industry in this country is made up, then, and then alone, will you receive all the honor due justly to you."

could be collected were predicated on the value of the works of art imported under the policy of free art, that revenue would be a large one, but if art were taxed works of art would not be imported in any large number and the revenue would be pitifully small.

I know that objects of art bought abroad for our museums have been free under every tariff, and I have been told that a duty on art, therefore, should not be an impediment to the museums buying abroad. True, but museums seldom buy abroad. They acquire here largely by gift from private individuals who, encouraged by our policy of free art, have bought abroad, in the first instance, for their own personal enjoyment, but who later give their purchases to the people through the art museums. That is almost universally true of all the great museum collections. I venture to say that the people of New York and of this country would never have had the two greatest collections in our Metropolitan Museum, the Morgan collection and the Altman collection, except for free art.

The tax on art is a tax on education, on culture, and on enjoyment. It is a tax which falls more heavily on the poor than on the rich, a tax on every American industry into which art enters.

President Eliot, of Harvard, years ago compressed the argument for free art into a few words. He said:

"A tax on works of art is a tax on the education and development of the sense of beauty and of the enjoyment of the beautiful. The appreciation of the beautiful is a rich source of public happiness, and the ultimate object of all government is to promote public happiness; therefore a tax on works of art violates the fundamental principles of a democracy which believes in universal education and in all other means of increasing mental and bodily efficiency and the resulting public and individual enjoyments."

Mr. QUINN. I do not think it is necessary, gentlemen, to take your time further on this matter other than to say that art is not a luxury. Art is for the people. It is educational and civilizing. It means more to the poor man than it does to the rich man. Over 65 per cent of the treasures in American art galleries and museums have been donated to them by gift or bequest. More and more art tends to lose the idea of ownership. Art, whether paintings or sculpture or etchings or engravings, becomes almost a thing held in trust. The man who pays for it can not take it with him. Sooner or later it finds its home in a museum or art gallery. Primarily, art is the child of its creator, but it does not continue to belong to him. For a time it belongs to the owner, and yet it can not be permanently his property. Considering the history of art, the idea of private ownership almost grows irrelevant. Just as the great parks belong to the citizens more than to the corporation which owns them, just as the lover of nature possesses a park or a forest more than the man who may have the legal title, just as the countryside belongs to the happy and intelligent wayfarer more than to the landowner, so the gallery belongs to the citizens who are the lovers of art and not to any public corporation or public authority. The great statue or the great painting is first the sculptor's or the painter's who conceived and created it. But in the end it belongs to the public and not to its intermediate purchasers.

I am sure that your committee will concur in the action of the House in leaving art on the free list.

**BRIEF OF JOHN QUINN, REPRESENTING AMERICAN FEDERATION OF FINE ARTS,
NEW YORK CITY.**

The plea in this brief is joined in by a large number of museums, art leagues, art associations, and other bodies and a group of the leading art dealers of the United States.

Submitted herewith among others are—

(a) The protest of the council of the National Academy of Design of New York City, by Mr. Harry W. Watrous, its vice president, dated May 11, 1921.

(b) The protest of the National Arts Club of New York City, by John G. Agar, its president.

(c) The protest of the Fine Arts Federation of New York, by Arnold Brunner.

(d) The protest of the League of New York Artists (Inc.), by Howard Giles, its chairman.

(e) The protest of the Cincinnati Museum Association and other like bodies.

The League of New York Artists is a new organization for the purpose of improving the material condition of the artists, the correlation of art and the public, and generally to promote the development of the arts. It has a present membership of about 1,000, with a prospect of indefinite increase.

The Fine Arts Federation of New York is a federation of practically all the artistic associations of the city. They are as follows:

The National Academy of Design, New York Chapter of the American Institute of Architects, the American Water Color Society, the Society of American Artists, the Architectural League of New York, the American Fine Arts Society, the Municipal Art Society of New York, the Society of Beaux Arts Architects, the National Sculpture Society, the National Society of Mural Painters, New York Water Color Club, Brooklyn Chapter of the American Institute of Architects, Society of Illustrators, American Group Societe des Architects Diplomes Par le Gouvernement, the Art Commission Associates, the New York Chapter American Society of Landscape Architects.

This is the most comprehensive art association in New York City.

POINT I. ART SHOULD NOT BE TAXED.

I. *Art is not a luxury.*—I shall try not to repeat here the points made in my argument before the Committee on Ways and Means of the House of Representatives. In that argument I attempted to demonstrate that art is not a luxury like jewelry or sporting goods or perfumes and cosmetics or musical instruments or fancy dresses and furs or automobiles and pleasure yachts or wines or liquors and cigars.

Art is no more a luxury than education is a luxury, or than religion is a luxury, or than science is a luxury.

As education and science are not taxed, and should not be taxed, for it would be monstrous to tax them, so art should not be taxed. To tax art is in effect to tax institutions engaged in educational work. Art knows no country and its cultivation should be as free as can possibly be made.

The art of every age is the fine flowering of all the scientific and all the philosophical thought of its own day and time. It quickens vitality and intensifies the love of beauty and the love of country and increases the joy of life.

John Ruskin and William Morris did more perhaps than any men of their time in England to bring art to the people and to promote art made by the people and for the people, as a joy to the maker and to the user, and it was William Morris who said:

"I do not want art for a few, any more than education for a few, or freedom for a few."

William Morris was a poet of genius. He was also a great prose writer. He was a true artist and a loving craftsman. He revived the art of fine printing. He was a man of rich nature—a great and many-sided man. He devoted his life to literature and art and to the bettering of the condition of the working people. Morris was so serious about his art, he so passionately regarded life as a means to art, that he devoted the best years of his life to preaching the ideal of the natural life as a community of working artists.

Morris regretted the passing of the days when art was everywhere in life, when nearly everything that was used and seen was the work of men's hands and was a joy in the making and a joy to the user. But the steam engine and electricity and machines and inventions have greatly changed life. To-day it is the artist and the craftsman who stand between the harshness and the crudeness of machines and their unlovely, if necessary, products and a fine life. Art is needed more now than it was needed in the Middle Ages before the steam engine was invented, when nearly all workmen were artists.

The idea that a tariff on art can be justified as a tax on luxuries is based on the assumption that education in the highest sense is a luxury that should be penalized.

II. In all matters of taxation the question should be, not merely how many dollars are involved, but the nature of the occupation proposed to be taxed.

Hundreds of millions of dollars a year are expended in this country on education and science. Yet it would be a monstrous and barbarous thing to tax education and science; or to compel our universities and colleges and scientific institutions to deduct a tax from the salaries of their teachers, professors, and investigators. It would be a barbarous thing, because it would be a tax upon science, a tax upon culture, a tax upon civilization.

To put a duty upon art would tend to drive our art students abroad to see and study the works of living masters and to be in touch with the vital artistic thought of to-day. Art ought to be a living, vital thing. Not only would a tariff on art tend to deprive American art students of the vital, living contemporary art of Europe, but it would deprive other persons who desire and love art and are anxious to acquire the best living art if they can, of a reasonable opportunity of doing so, unless they pay a tax upon all their purchases.

If we are to shut out or to tax art, why not tax science? If we are to tax European art, why not tax European history and European or foreign philosophy? If we are to close our gates and close the eyes of our artists and art students, or put a tax upon their seeing and acquiring the living art of Europe, the art of France, of England, of Italy, or of Spain, why should we not forbid the copyrighting of modern European music? Or why not put a tax upon the performance of the music of modern European composers, lest our native composers may suffer in the competition? A tax on art would be a tax on culture and on civilization.

III. The standards of taste and culture in the fine arts are higher to-day than they were 50 or 100 years ago. The culture of to-day passes by as obsolete and lifeless and unworthy of study hundreds of works of art that were popular 50 or even 100 years ago. Works of genius remain. But living men of genius did not all cease to create works of genius 100 years ago.

Time is indeed a test, but time is not the only criterion of the worth of a work of art. The tax on fine art less than 100 years old often merely puts a premium on the faded and dead art of the past.

As well might one put a premium on obsolete music, obsolete philosophy, obsolete medicine, obsolete science, as upon old art, whether it be still alive and vital or obsolete or dead. Too much old art is lifeless to the young generation. Much of it is, of course, splendid and precious, and many American collections are fine and priceless. But our art-loving public, art students and persons of moderate means, who can not buy priceless old masters but who still have the capacity of youth to be thrilled and enchanted, ought to have the opportunity to acquire contemporary works of art free of any tax. To return to the law as it stood for some years prior to 1909, when the duty was taken off old art, would not satisfy the museums. To provide that art imported by museums shall come in duty free would not meet the situation, because the museums do not directly buy all their work abroad, but more than all they depend upon gifts and bequests from private persons.

IV. New art movements are in the air in many countries of Europe. Living art can not stand still and merely repeat the ideals and the fashions of generations that are dead. Those new art movements are known and their works seriously studied nearly everywhere except in America. Here we too often copy only the studio models and repeat the subjects and technique made familiar and popular a generation or more ago.

It is a commonplace in art history that painting and sculpture have passed and are now passing and will continue to pass through new phases and that representatives of old schools survive after a new school has appeared. It is also a commonplace in art history that the contemporary art of one country reacts upon and influences the work and molds the ideas and style of living artists in other countries. At the beginning of the last century the work of Turner and Constable in England influenced French art. France then had classic and romantic art. The study by French artists of contemporary English art influenced the Barbizon school and France produced the work of Corot, Rousseau, Daubigny, Diaz, Coubet, and other masters. Then followed the Impressionists and France again produced the work of Manet, Monet, Degas, Renoir, and other great artists whose influence is still felt. The world is now beginning to recognize that Cezanne, the greatest of the moderns, was one of the great masters. Why should American art students and those who are interested in fostering art be deprived of the chance to see exhibitions of the latest modern work? Each of those art movements was in its turn attacked by certain professors, certain academicians and certain official portrait painters and makers of official sculpture of their day, the old men of the academies and the artists who are tired or worn out and whose youth and inspiration were gone. Each of those movements was, when vigorous and young, an attack upon the stale imagination and the dull and devitalized art of its time.

Art is a growth and a progression. When art ceases to grow and contents itself with copying feebly or expertly as may be the art of past ages, its inspiration is gone and

it is a dead thing. We have already too much dead art. Many of the walls of the museums of Europe are covered with dead art. The past presses down too heavily upon the imagination and training of our art students. The exclusive study and the reproduction of the methods of the past, of the ideals and styles of the past, is the government of the living by the dead.

V. *This is no attack upon old masters.*—Cezanne (1839–1906) would not have existed without Greco (1550–1614). Manet (1832–1883) would not have been Manet without Goya (1746–1828). Nor would Puvis de Chavannes (1824–1898) have been the great master that he was without Poussin (1593–1665). It is a plea for the adequate study and consideration of modern and contemporary art. A work of art does not become a good work of art merely by growing old. The one hundred-year limitation would be a wholly or unholy arbitrary one, and it would inure to the disadvantage of the art-loving public, art students, and persons interested in modern and contemporary art.

The vital, instinctive, vigorous, and young days of artistic creation have not all passed. To the great French artists their art was a kind of religion. Millet, Manet, Degas, Monet, Pissarro, Renoir, Puvis de Chavannes, and Cezanne and the living masters, Picasso, Matisse, and Derain, belong to a line of "art explorers" to whom we have as yet no equals.

It is this vital and instructive spirit, when it is alive and influencing the contemporary art of other countries, that American art needs to-day, for much of our art, which is too often fed on the traditions of a hundred or more years ago, has become devitalized and dull and the art training of generations ago too often a blind tyranny. We thus pay a penalty of isolation from the study of contemporary vital art, in the repetition over and over again of the same themes and the same ideas. While many of our artists have taste and sentiment and talent and technique, too many of them are out of touch with the vital art of their own time—the living art of to-day—and it is the desire of our younger artists, and of our older artists who are still young in spirit, that all fine art should be free, that impels them to ask that no duty shall be imposed on art of any kind, whether modern or over a hundred years old.

POINT II. PUBLIC OPINION GENERALLY IS AGAINST A TAX ON ART.

I. All American public opinion, whether it be of educators, artists or art lovers or those interested in our art museums, is opposed to any tax on art, and especially to any tax on sales of their own art by living artists themselves. The reasons in favor of untaxed art were set forth in the brief filed by The American Free Art League with the Ways and Means Committee of the House on November 28, 1908, which is on file in the records of both the House and Senate. That brief included the opinions of many American college and university presidents on the point, among which was the following typical protest:

"A tax on works of art is a tax on the education and development of the sense of beauty and of the enjoyment of the beautiful.

"The appreciation of the beautiful is a rich source of public happiness, and the ultimate object of all government is to promote public happiness; therefore a tax on works of art violates the fundamental principles of a democracy which believes in universal education, and in all other means of increasing mental and bodily efficiency, and the resulting public and individual enjoyments." (Charles W. Eliot, president Harvard College.)

It is the duty of an enlightened government to encourage and not to tax art.

Art has a refining influence upon a nation.

Most governments of Europe have bureaus of fine arts and make liberal appropriations for art museums and art schools.

The highest development of art can be attained only by freedom and by the unhampered exchange of ideas between the artists of this and other countries.

Proper regard for education forbids any tax on art, which is a tax on knowledge and good taste.

The study of drawing and art is essential to education, and the educators of this country in 1909 were "a unit in their opinion that works of art should be free of import duty."

II. Art adds to the wealth of the country by benefiting and improving many of its industries, in whose production form, design or color play an important part, such as silk, cotton, jewelry, carpets, furniture, wall papers, pottery, lace, glass, chinaware, architectural works in metal and stone manufacture.

A knowledge of art enters into the design, form, color, or style of mantels, fixtures, carvings, woodwork, mouldings, fittings, the decorations inside and outside of houses, buildings, bridges, railway and elevated and subway stations, tableware, men's and women's clothing, and even the common and most useful kinds of painting and

decoration, and all the other industries where some art education is a necessity. The product of almost every industry in the country could be improved both from the point of beauty and fitness by a real knowledge and an appreciation of art.

European countries which have applied art education to industry have produced manufactured "articles of superior design."

France by following such a policy for so long has produced artisans whose artistic taste and skill give greatly increased value to their work.

Germany, before the war, through a study and widespread knowledge of eastern taste and standards, "had secured and held an enormous trade in Japan."

Our artisans and artists should have the advantages which are now found in a superior measure in countries abroad.

The multiplying of art objects will tend to develop artistic taste among our people and that will in turn create a demand for artistic products, which will give employment at high wages to skilled workmen and artisans, both men and women.

Art education will create an appreciation and an increased demand for art and increase the patronage of art.

III. American artists have always favored free art.

Untaxed art will tend to remove the necessity for our art students going abroad for their art education.

A tax upon art would prejudice American artists in the eyes of American purchasers.

IV. Our art museums will benefit by untaxed art because:

(1) Untaxed art will contribute to the establishment of new and the growth of our present museums.

(2) Our museums depend largely for their growth upon gifts, loans, and bequests by individuals.

(3) More than one-half of the art in our museums has been acquired by the gifts or the loans of private collectors.

(4) Our public art collections will be richer if art remains untaxed.

V. As a nation our artistic soil is rather thin. It needs enrichment from the work of the great artists of the past and from the work of modern and living artists. It was a great writer and a great American, the late Henry James, who in his book *The American Scene* said: "It is of extreme interest to be reminded at many a turn * * * that it takes an endless amount of history to make even a little tradition, and an endless amount of tradition to make even a little taste, and an endless amount of taste, by the same token, to make even a little tranquillity"—and, I may add, to accomplish the miracle of art.

We have history. Our soldiers have in these later years made history—glorious history. We have traditions. But we need more taste. Art develops taste. Education lays the foundation. A man may be a trained scientist or investigator or economist and yet may be wholly lacking in taste and real culture. Art not only develops taste but it gives joy and a meaning to life.

VI. An interesting volume could be written on the various phases and aspects of the proposition that art is not a luxury. But I think I have said enough to show that art, like education and science, is a necessity to a well-ordered and civilized life, and that instead of being taxed it should be encouraged. Our artists do not ask for governmental financial support or encouragement. They did their part in the war in the work of camouflage on the battle front and in the way of posters in this country and in the ranks and in other war services. All they ask is that art be not taxed.

VII. *Untaxed art pays.*—Art in the end would pay for itself as a necessity. France used to sell millions of dollars' worth annually not merely of art but of other works to the rest of the world, mainly because the artistic instinct and the art spirit have been fostered in France for generations. The French people have the artistic instinct and the art sense, and their products are finer and better than those of people without taste and without the art sense, and therefore are bought by other nations. That principle is not limited to pictures that one sees on the walls of museums or to sculpture in art galleries. It enters into almost everything that is worth having in life. Taste and the art sense are important in everything where form, design, color, modeling, or decoration enter.

If we want to compete with the rest of the world in the finer grades of products, if we want to raise the standard of our export products so that they can compete with the works of France, England, Italy, and other countries, where art is fostered and not taxed, it will be wise for us not to tax the importation of works of art.

VIII. *Untaxed art is a republican doctrine.*—The tariff act of 1832 was a protectionist measure, and yet that act placed art on the free list.

The tariff act of 1846 was passed by the Democratic Party as a free-trade measure. One of the principles of Mr. Walker, who was then the Secretary of the Treasury, was that luxuries should be taxed the maximum, but that act also put art on the free list.

In the act of 1857 art was retained or continued on the free list.

The Wilson tariff bill of 1894 also placed art on the free list.

The year 1909 was an eventful one in the history of American art. For in that year was made the great fight by museums, art leagues, art associations and artists and educators all over the country for the removal of the duty upon art. Up to that time only antiques and works of art over 100 years old were admitted free of duty. The whole country was back of the agitation for the removal of the duty on art. But Congress compromised and removed the duty from old art, that is, art over 20 years old, because of its educational value.

But still artists were unsatisfied, and art museums kept up the fight.

The year 1913 marks a second advance in the history of American art, for in that year Congress removed the duty from modern art, thus making all original art free and untaxed. At that time art associations, art museums, universities and colleges, educators, librarians, art galleries and art institutions, and other bodies all over the country petitioned for the removal of the tariff from modern art.

At that time I collected editorials from over 60 of the leading newspapers of the great cities of this country, all strongly urging the removal of the tariff from art. I had those editorials cut out and mounted and submitted them to the Senate Finance Committee, and members of that committee told me at that time that those editorials made "one of the most impressive documents ever submitted to that committee." They were a spontaneous expression of the judgment of over 60 of the great newspapers of this country in favor of the wisdom and wise statesmanship of not taxing art.

So, in 1913, Congress removed the last barrier and took the duty off modern art.

IX. But only original modern art now comes in free. My recommendation to the committee that the word "original" be written into the tariff law was adopted, and now section 652 of the tariff act provides that "original paintings in oil, mineral, water or other colors * * * original drawings * * * original sculptures or statuary * * * the professional productions of sculptors only" came in free. This excludes copies and fakes and replicas or reproductions. Under section 376 all works of art other than originals included in the free section 652, "including * * * copies, replicas, or reproductions of any of the same, statuary, sculptures, or copies, replicas, or reproductions thereof, and etchings and engravings, not specially provided for in this section"—that is, the free section 652—are taxed 15 per cent ad valorem.

X. That act of 1913 did more to foster and encourage American art and by its use for the first time of the originality test has done more to keep out fakes and imitations and to keep this country from being a dumping ground for artistic frauds than all the other laws affecting art in this country put together.

To levy duty upon art would therefore be in effect a reversal of the national policy adopted by Congress in 1909 and 1913.

XI. To tax art as a luxury would be unworthy of our country. It is unnecessary. The revenue derived from it would be comparatively small.

Advantages of art education both in schools and museums would be restricted or impaired by a duty on art.

In 1913, as counsel for the Association of American Painters and Sculptors, I received over 500 letters from publicists, college professors, art museums, and art associations, university presidents and educators, and prominent writers and artists, all protesting against the continuance of the tariff on modern art and urging the removal of the duty entirely. I made a digest of a small number of those letters, and that digest on 26 printed pages was one of the records submitted to the Senate Finance Committee.

An equally large and emphatic number of protests would, I am confident, now be made against the imposition of any duty on art if there was time to obtain an expression of opinion upon the subject from such institutions and from men of science and men of letters, and from writers, educators, and men of affairs. A vast amount of material would soon be at hand in case of such a public protest.

For the reasons that led Congress in 1909 and 1913 to take the tariff off art, and for the other reasons that I have given, I urge that the duty on original art be not reimposed.

XII. A sense of the beautiful and the artistically interesting is the artist's most valuable possession. The true artist often labors and suffers over his work. All that he asks is a bare subsistence. It is well known that most of our artists have only a bare subsistence. But they do not complain. The world needs art more than art needs life.

The importance of art and of the cultivation of a sense of the beautiful in all its stages is enormous. A man may be a moralist in life or a great economist or a great statesman, but that is not enough. The sense of what is fine and thrilling—that is, the sense of the beautiful—is in France the spring of action, for which reason France leads the world.

We need the deeper cultivation of the artistic sense in order that to people generally the beauty of our country, its hills and valleys and lakes, may be apparent, and that

it may be felt by those who do not now admire it. As a rule, until artists have opened their eyes, people go through life seeing little of the beauty that surrounds them.

I am told that in Denmark every artist who has produced a picture of a certain merit is at once entitled to a Government pension, and gets it. Instead of taxing art, our Government might follow some such plan as that of Denmark.

XIII. I have said that to tax art would be something like taxing religion. It would be exactly like taxing education. Art should be untaxed, because art has a civilizing influence, and it tends to drive out other things that are pernicious with hatred and fanaticism.

In my argument before the House subcommittee I said that I regarded artists as constituting almost a priesthood. And so the best of them do. The road of the artist is often painful, the struggle severe, before he attains to purity of form and to "the beauty that never wearies and never satiates." The true artist becomes ever more and more difficult and harder to satisfy with his work. His life is a constant struggle, as every great artist knows, a struggle against bad taste, against commercialism, against sentimentalism, against the demand of the public for work resembling the work of older men, and often against poverty. The true artist's path is often beset by temptations to follow in the track of those who have had ephemeral successes. The artist often makes his fight as a solitary—alone. No great fortune is his lot. High prices do not come his way. The buyers of the work of living artists are comparatively few.

Two years ago certain works by that great genius William Blake sold at auction in London for thousands of pounds, works that were bought from him when he lived for a few pounds. And yet when Blake was producing his works of genius he was regarded as mad by all but a very few, and he lived and died poor, neglected, and alone.

XIV. To go back to the old, bad, vicious, and absurd law that admitted duty free all art, whether good or bad, that was over a hundred years old would be the worst blow that American art and culture could sustain. The popular misconception as to art being a luxury is largely due to the fact that the "old masters"—some of them spurious—are bought for large sums by a class that would least feel the proposed taxation.

The living artist, the struggling artist, does not as a rule make money or benefit when the price of his work increases. The artist generally lives poor and dies poor. The living artist can not and does not deal in the works of the "old masters."

To draw the line at 100 years would be to give an artificial and vicious importance to old works of art—to their age, their genuineness, their previous history, their cost and their rarity—all elements of commercial value—and not whether they have art value, or are alive. In many cases those old works were alive once but are now dead, the divine spark has faded out, and though they may be old and rare and authentic and costly—to the living artist their interest is not to be compared to the interest and the vitality of living work. The test for old—as well as modern art is the same—beauty, taste, vision—whether it is alive or dead—whether it gives joy in a triumph, a miracle achieved.

XV. A tax upon art would be a tax upon creativeness, a tax upon refinement and taste and culture.

I have compared true art to science and religion. What the hospital and the operating room are to the great physician and surgeon, what the laboratory and the research institute are to the scientist, the studio of the artist is to the artist. The studio is the scene of the artist's struggle to create, the place where he succeeds when he creates beauty or where he fails; and when he fails he must try again and brood and think and dream and struggle till the miracle of art be achieved. Many artists who live poor and die poor, could make better livings and more money in other professions. But to them art is a religion and they form a priesthood, as true scientists do.

XVI. I have said that art knows no country. Great art knows no age or time. It is a mistake to assume that what is old or rare or costly is necessarily good or great art. A bad or feeble work of art does not become a good or fine work of art by merely growing old, any more than a stupid or dull man becomes a brilliant man merely by surviving all his contemporaries. If a supposed work of art was in the beginning devoid of the divine spark of genius that is in every real work of art, it will not acquire that divine spark merely by surviving and becoming an object of curiosity or rarity or great value. If it was feeble or weak or false in the beginning it will remain valueless.

XVII. There is no demand for singling out art for taxation. On the contrary, public opinion would approve the act of Congress in recognizing the relation of art to education and science, if not to religion. Even in this day when we need all the revenue we can raise, we of this country do not want to go on record as being in such

a panic over raising revenue that we feel compelled to tax art. The proposal during the war to tax art in England as a luxury was abandoned by the British Government.

It is quite true that no one need buy pictures. Yet pictures are not luxuries. They constitute one of the most essential parts of national education. What makes the right kind of patriotism? Affection for the fields, lakes, woods and mountains, and the history, and the people of one's country. There is the wrong kind of patriotism, which is merely vanity and swagger, and which has as little to do with patriotism as a rich woman's pride in her automobiles or expensive gowns has to do with home affection. The true kind of patriotism grows out of affection—affection for the people and their ways and looks as well as affection for the woods and lakes and the country and its history. And who is it that possesses this affection? Is it not the artist who paints the landscape—who makes pictures of the people?

Our problem is where and how to encourage modern and living art.

XVIII. One is tempted to point out that artists are not spoiled children, that behind every work of art must be feeling, a genuine spontaneity of affection or sympathy or longing, and that art is vital for Americans in order that they may acquire the habit of brooding over their country and its landscape and its people and watching them and noting all their changes. The point that I insist on is that art is not a luxury but an education for the people. Artists are the true educators and for that reason we must guard against any prejudice against artists. Artists are diligent men, none more diligent, and all the more so because, like men of science and learned students, they love their work. Artists give lessons—lessons in how to love the country in which they live and where they were born, and lessons in pity and affection and sympathy and admiring respect for our fellow men. Great novelists and great poets do this, of course, and the circumstances are often such that it is possible for them to make money. For painters and sculptors it is exceedingly difficult even to make a competence. There is no printing press by which to multiply their pictures.

If America is to become great in the arts as she is in technical skill, in manufacture and in commerce, she must encourage her artists. America can be to her artists a wise or a foolish mother. She will be wise if she leaves art free of all duty. The policy of the Government adopted in 1909 and reaffirmed in 1913 should not be reversed.

Because a duty upon art would be a tax upon civilization and culture, and because the revenue from it would be small and uncertain, I sincerely hope that no duty will be imposed upon original works of art.

POINT III. SCIENCE AND ART SHOULD NOT BE SUBJECT TO ANY TAX.

I. The influence of art on the business, industrial, and commercial life of the country is not always appreciated. Congress is imposing a duty upon foreign dyes, principally German dyes, for the encouragement of the American dye industry. It is well known now that the great chemical plants of Germany in which the dye industry had been developed were not only a source of great revenue to their owners and to the German government before the war, but were the chief agencies and means of Germany for the manufacture of poison gas during the war. Dyes are used for colors in the applied arts. Painting is largely a matter of selection of color and form, of placing one color or a group of colors in contrast to others. Color and form enter into printing, fabrics, furniture, ironwork, architecture, and many other products and commodities. The superiority of the French in many departments of life is due largely to the cultivation of art in France for many generations. To put a duty on modern French art would tend to exclude the work of the great experimenters in color and form like Cezanne, Van Gogh, and Gauguin and living masters like Picasso, Matisse, and Derain. How foolish it would be for Congress in one act to attempt to build up an American dye industry and in another act to tax modern art with its miracles of new color forms and combinations.

No one can visit our art museums on Saturday afternoons or Sunday afternoons or on holidays without becoming convinced that art is to be regarded truly not as the luxury of the few but as the necessity of the many.

The advantages to the artists and to the people from free art are so great that the small revenue that could be derived from the duty should not be considered.

The art museums of the country are one in their efforts to give the people of their sections the best representations of both the work of artists of to-day and that of the old masters.

II. The act of Congress of 1913 removing the duty on modern art was the most beneficent, the most civilized, and the most helpful step ever taken by an American Congress for the promotion and encouragement of art. Since that time museums have sprung up all over the country and museums then only recently founded have been enlarged and encouraged in their art and educational work. The directors of those

museums can not go abroad to buy works of art. Since 1913 exhibitions of contemporary art and of art less than 100 years old have been freely held not merely in New York City and in San Francisco and in Chicago but in many other cities of the country. To those exhibitions the directors and heads of American museums have gone and have studied the works of the artists shown there and have been able to select and purchase representative works after their personal study. The same is true of private collectors and, as I have said, museums depend very largely upon gifts and bequests from private collectors and loans. From the mere fact that there are so few fine works of contemporary art in this country, our students who can afford it have to go abroad to keep in touch with vitalizing influences. But few American art students have the time and money to go abroad.

For a civilized people a tariff on art is as defensible as a tariff on thought.

The placing of a tax on works of art is but raising a barrier against education and culture.

A great work of art is not like a great mechanical invention, or a piece of literature, the reproduction of which may encroach upon the rights of the author. The original copy is the sole property in question. There is no protection possible to anyone through taxing its importation. Genius has no pedigree, produces no cheap labor problem, and leaves no posterity.

There should be no tax upon the development of man's moral, aesthetic, or intellectual nature. Art is one of the means of developing every side of his nature and should be as accessible as the air we breathe, if it be in man's power to make it so.

III. The free exhibition of contemporary foreign art serves a double purpose: First, and most important, is its educational influence upon American artists. On that account nothing should be done by the Federal Government to interfere with that purpose. In the second place, if it is good contemporary art—and practically only what is good is imported—it is of great educational value to the general public.

IV. All of the artists and museum directors who have been communicated with are against any tariff on original art of any age or time.

V. American art needs the stimulus and the shock that the study of foreign contemporary art will give it. If we can not have the best art of the world, we had much better have none at all. All true artists are champions of free art. Our artists have nothing to lose by free art. Those that have open and elastic minds have everything to gain by it. Better no great endowments, no great art museums or great art institutes, better no art schools even, if our artists are to be provincial in outlook and are to devote themselves exclusively to soulless and spiritless work, devoid of taste and culture, or to the production of flabby or wooden imitations, showing merely artistic stagnation, without the spark of vital art, and "without high purpose, and glimmering all over with the phosphorescence of mental decay."

VI. We have all sorts of art commissions, municipal, State, and national. We have many kinds of academic art bodies. Art museums, large and small, are springing up all over the country. We have in abundance the means of making modern art known. The continuation of the free importation here of art will do more for the real advancement of American art than any other thing. To keep modern and contemporary art on the free list will encourage foreign artists to send their work here, and will do more than anything else to spread culture and the love of true art throughout the country.

VII. New ideas of progress and reform in philosophy, politics, and the fine arts are in the air. To some these new ideas are disquieting. To others they are liberating and hopeful. To those who rightly ask of art more than mere skill or academic training, to those who feel that art as well as "poetry enriches the blood of the world," to those who feel that "the strong things of life are needed" in art as well as in poetry "to show that what is exalted or tender is not made by feeble blood," progress in the arts as well as in philosophy and in politics is one of the finest and most exhilarating things of our time. In the words of a profound thinker and one of the finest minds of our time: "Observation must be continual if our ideas are to remain true. Eternal vigilance is the price of knowledge; perpetual hazard, perpetual experiment, keep quick the edge of life." These words of George Santayana apply to art as well as to politics and philosophy.

CONCLUSION.

Because of the educational value of art, because of its practical value, in the interest of art museums and art galleries, to encourage the building up of private collections which ultimately come to art galleries and museums, because the growth of American art will be stimulated by free art, because of the manifest advantages of free art to art education, both in schools and museums, because it is generally considered that it would be uncivilized to tax works of art brought into this country, because art promotes learning and culture, because to civilized people a tariff on art would be as

defensible as a tariff on thought, no duty should be levied upon original works of art of any kind, whether modern or over 100 years old.

Respectfully submitted on behalf of various museums, art leagues, art associations, and artists and a group of leading art dealers in the United States.

SUPPLEMENTAL BRIEF.

In accordance with my understanding with the Finance Committee when I appeared before them on December 30, 1921, the two following amendments and explanations thereof are respectfully submitted.

POINT I.

When I appeared before the Senate Finance Committee on Friday, December 30, 1921, I called the attention of the committee to the fact that the provision in present paragraph 652 (proposed paragraph 1685) relating to original drawings and sketches "in pen and ink or pencil and water colors," had been interpreted by the department to mean that original drawings or sketches had to be a combination of pen and ink with water colors or had to be in pencil and with water colors.

Now, as is well known, original drawings and sketches may be of many kinds. They may be either in pen and ink alone or in pencil alone, or in pastel or in water colors with pastel, or in crayon alone, or in crayon and pastel, or in pastel, or crayon, or chalk alone, or in charcoal and pencil, or in silver point, or in gold point, or in other mediums, or any combinations of one or more of the foregoing mediums.

In view of the fact that the Finance Committee agreed in principle to the amendment to paragraph 1685 that I propose, I took up the question of its phraseology with Mr. J. R. Hecht, the chief examiner at the appraiser's stores in New York. Mr. Hecht is a well-known expert on art and is a veteran examiner for the Government, and he agreed with my suggestion that the different subject-matters at the beginning of the proposed paragraph 1685 should be separated by semicolons and that instead of the present provision reading, "original drawings and sketches in pen and ink or pencil and water colors," there should be substituted the following: "; original drawings and sketches in any medium or in any combination of any mediums;"

Prior to my conference with Mr. Hecht I had drafted the first part of paragraph 1685 so as to read as follows:

"PAR. 1685. Original paintings in oil, mineral, water, or other colors; pastels; original drawings in pen and ink, pencil, pastel, water colors, crayon, charcoal, chalk, silver point, gold point, or any other medium, or combination of any of said mediums; and original sketches in any of said mediums or any combinations thereof;"

But Mr. Hecht felt, and I agreed with him, that the provision suggested by him, namely, "original drawings and sketches in any medium or in any combination of any mediums," was broad and comprehensive and would include all kinds of original drawings and sketches, and it would have the advantage also of being briefer and at the same time would be just as clear as the longer amendment that I had proposed.

As one of the objects of good legislative draftsmanship is brevity, I concurred in Mr. Hecht's suggestion on the ground of brevity.

I accordingly respectfully urge that paragraph 1685 be amended accordingly. I am sure that the committee will agree with me that the putting in of semicolons instead of commas in the first lines of the paragraph will also conduce to clearness.

Assuming that the committee adopts Mr. Hecht's and my suggestion, the first part of paragraph 1685 would then read as follows: "PAR. 1685. Original paintings in oil, mineral, water, or other colors; pastels; original drawings and sketches in any medium or in any combination of any mediums;" (then would follow the present provisions regarding "artists' proof etchings unbound, and engravings," etc.).

POINT II.

I also called the attention of the committee to the fact that in the present tariff act, under paragraph 425, engravings, etchings, and lithographic prints, bound or unbound, which have been printed more than 20 years at the date of importation, come in duty free.

The corresponding paragraph in the proposed act is paragraph 1529.

I suggest, therefore, that paragraph 1529 be amended by inserting at the beginning thereof, before the word "hydrographic," the following: "Engravings, etchings, and lithographic prints, bound or unbound, which shall have been printed more than 20 years at the date of importation, and all" (here would follow the present provisions of proposed paragraph 1529).

The insertion of that provision will restore the present provision of paragraph 425 relating to engravings, etchings, and lithographic prints to the law.

Under the free list, paragraph 1685, only artists' proof etchings unbound and engravings and woodcuts unbound come in duty free. The existing tariff law of 1913, paragraph 425, as stated, placed on the free list, among other things, "engravings, * * * etchings, lithographic prints, bound or unbound * * * which shall have been printed more than 20 years at the date of importation." It is possible that the omission of those words in present paragraph 1529 was regarded as being of no consequence, on the theory that such etchings and engravings would come in under paragraph 1685. But that would not be the fact. Paragraph 1685 relates to "artists' proof etchings unbound, and engravings and woodcuts unbound." The provision in the present act, section 425, allowing to be imported free of duty engravings, etchings, and lithographic prints "which shall have been printed more than 20 years at the date of importation" is of the greatest value, because the distinction between "artists' proofs" and other impressions is a difficult one to apply in practice. It has been the ruling of the New York customhouse that an artist's proof was one which bore a manuscript signature by the artist. Since, however, the practice of signing proofs in pencil or in pen by the artist has only obtained during the last 25 or 30 years, etchings and lithographs of an earlier period, even though of the greatest importance and artistic value, whether etchings by Rembrandt or woodcuts by Durer or etchings by such later masters as Goya, Meryon, and others, are usually and, in fact always, unsigned. If the provisions of present paragraph 425 are not restored to paragraph 1529, such etchings and lithographs, though of the greatest artistic value and importance, would be dutiable.

The present free art paragraph 652 (paragraph 1685 of the proposed act) relates only to "artists' proof etchings unbound, and engravings and woodcuts unbound." The department has ruled that the only unbound engravings and woodcuts that come in duty free must be artists' proof engravings and woodcuts. In other words, they have held that the phrase "artist's proof" before the word "etchings" relates to and also governs "engravings and woodcuts unbound."

I respectfully urge that the words "engravings, etchings, and lithographic prints, bound or unbound, which shall have been printed more than 20 years at the date of importation," be restored to the beginning of paragraph 1529.

In France and in other countries, and in this country, old engravings and old etchings are considered of great artistic value. If the provision referred to is not restored to paragraph 1529 of the pending bill, the law would practically preclude the importation of old engravings and etchings, or their importation from other countries would be greatly reduced.

I am confident that the omission of those words in the House bill was inadvertent. The Ways and Means Committee of the House never intended to put etchings, engravings, and lithographic prints over 20 years old on the dutiable list. Such etchings and engravings and lithographs, being the work of great masters, are of the highest educational value.

I respectfully urge that that provision be restored to proposed paragraph 1529.

Those words restored to paragraph 1529 would make it read as follows:

"PAR. 1529. Engravings, etchings, and lithograph prints, bound or unbound, which shall have been printed more than 20 years at the date of importation, and all hydrographic charts and publications," etc.

STAINED OR PAINTED GLASS WINDOWS.

[Paragraph 1688.]

STATEMENT OF WALTER WEST, REPRESENTING DECORATIVE GLASSWORKERS' ASSOCIATION, BRONX, N. Y.

Senator McCUMBER. You have spoken on this before, have you?

Mr. WEST. Not at all. I have not been before your committee.

Senator McCUMBER. We have had some witnesses on the same paragraph.

Mr. WEST. In this matter—

Senator SMOOT (interposing). You are speaking on paragraph 1688.

Mr. WEST. Yes, Senator. I want to say in this matter that I represent Local 520 of New York City and vicinity, a local of the

Brotherhood of Painters, Decorators, and Paperhangers, as well as the international. I have credentials by both organizations.

I want to say in this matter that I have answered a brief of the National Catholic Welfare Council introduced by Father Burke, headquarters in Washington. Father Burke is a very sick man. He is in Florida, I understand, and I have not received a reply to my brief. He has asked in his brief to be convinced that it would be a detriment to the industry or the workingmen thereof, and if such was the case he would not oppose the placing of a duty on the importation of stained-glass windows.

An experience of over 50 years in the industry, I think, qualifies me to give Father Burke all the evidence he has asked for. I have held various positions in the industry, such as foreman in some of the leading establishments in the country as well as being solicitor for stained-glass windows and going around about the country. I have met in my travels some of the princes of the church. I have corresponded with them in this matter at the time of the Underwood bill, and some of the Senators will remember I appealed to them at that time.

I had occasion to correspond with Archbishop Ireland. I have his letter here in which he speaks of the church, the benefit of the church and the industry, and he said that the church should take upon itself some obligation when it comes to a matter of this industry, and he said that he could applaud the efforts of the church if it were not that he has to go beyond the church and consider the industry and the workingmen thereof; and he gives me this letter so that I can use it with the Finance Committee and the conference committee. This letter is an indorsement of our efforts, which I presented to Senator Simmons at that time and to the Finance Committee.

I also have a letter from Archbishop Mundelein, who was bishop in Brooklyn and who was transferred to Chicago. He is now archbishop of Chicago. At that time he was at St. John's Chapel of Brooklyn, N. Y. He had been to Ste. Chapelle, Paris, and was interested in several windows; it was a matter of some \$35,000 or \$40,000. He thought that we could not do the work, and I persuaded him that we could, and I asked permission to have samples made so as to show him that he was in error, and that we could do the kind of work he wanted. I asked him to select from a list of names submitted the firms he would like to have submit samples, saying I would go to them and have samples made for him. I did that.

When I heard the contract was awarded, I asked the bishop, "Well, Bishop, I understand the contract has been awarded. May I ask who you have given it to, whether an American or European firm?" He stated that he had given it to an American firm. I said, "How did you like the work?" "Artistically it is just as good as any of the samples from the best European firms, and mechanically it is far better than the samples of the very best European firms."

Since then he has given to American manufacturers a large contract in Chicago. I do not know what the amount of that contract was, but I understand that it ran into many thousands of dollars. I would say that I understand the figures for the one in Brooklyn was somewhere between \$26,000 or \$28,000 and \$40,000.

I have besides that a commendatory letter that I received from Mgr. Mooney, vicar general at the cathedral in New York. I pre-

sent to him the request that I had asked compliance with of the Finance Committee. Mgr. Mooney indorsed this and says he hoped for favorable action by the Senate Committee on Finance. And more than that, he telegraphed at that time to Senator O'Gorman, asking Senator O'Gorman to use his best endeavors and to do what he could in our behalf.

That speaks for itself.

Senator WATSON. Tell us what you want now and what you would like to have.

Mr. WEST. All right, Senator. I want to say that in all these years, and especially the last twenty-odd years, on account of price we have been unable to compete with any of the European houses, particularly the German and Austrian houses.

England's best work is 25 per cent cheaper than ours. But, so far as Austria and Germany are concerned, and all the firms in Germany and Austria, it is a total impossibility—there is only one solution to the problem, and that is a tariff based on the American-valuation plan.

They have resorted to all kinds of subterfuges. I have had to fight the matter through the Board of General Appraisers, through appeal cases in court, and through the United States Supreme Court, combating one technicality after the other to beat the law, until they were driven to the last ditch.

Then under the cloak of the church they are appealing to have the church come forward to their rescue, which means a combing of the country and taking out of the country all stained-glass orders.

Senator WATSON. Is there any of that produced in the United States now?

Mr. WEST. Any produced?

Senator WATSON. Yes.

Mr. WEST. We can do the very best work that is produced in the world—I have put in windows costing \$20,000, one window—if they will give us a chance.

Father Burke, of the Catholic Church, said it will help the industry in this country if we allow these things to come in. They are the worst products in the way of stained glass made in the world; therefore Germany and Austria do not educate us. In fact, if we were offering them they would be thrown at us. I have to go down to the general appraisers and pass on what comes from Europe, and some of it at the present time is in the Cathedral of St. John the Divine, which has a window costing \$15,000, and it was given by Mrs. White-law Reid, and she refused to pay the bill because the window was not satisfactory.

We can take the best work that comes from Europe, and we can not only do as good but we can do better, because we know the atmosphere; we study the distance, light, and all that sort of thing; and here we have also the best artists. We have artists who have worked in the very best establishments in Europe. We have one now working for Louis Tiffany in New York, and he was said, by Mr. John La Farge, the great American artist, to be the very best. At Paris, when we had the American exhibition there, the most conservative English art journal said:

We have been to Paris and we have seen Mr. John La Farge's exhibits. We advise all people who are thinking of donating a memorial window to first go to Paris and see John La Farge's work.

Senator WATSON. If that be true and you have been going on making this under existing conditions, regardless of foreign competition, what do you want a tariff on now for?

Mr. WEST. We want a tariff because of the difference in wages, and we do not get a chance to compete against these people. Our firms can not compete. While we can make the work, we do not get a chance to do it; we do not have an opportunity. What we need protection against is the commercial and not the high-grade window referred to by me.

Senator SMOOT. You want to strike out the words "including stained or painted window glass or stained or painted glass windows imported by houses of worship," and then it will fall in paragraph 230.

Mr. WEST. That is exactly it.

Senator SMOOT. And then the 30 per cent duty there is what you are asking for on the American valuation?

Mr. WEST. That will remain with you people. We need about 63 per cent.

Senator SMOOT. But I am asking you.

Mr. WEST. Thirty per cent duty is in the act as passed by the house. We need more.

Senator SMOOT. If you strike out those words I have read from paragraph 1688, then it all falls back into paragraph 230, and carries a duty of 30 per cent.

Mr. WEST. Paragraph 230 does not give us any protection at all, because there are no windows imported into the United States excepting for churches, and under paragraph 1688 they come in duty free, and we ask for that change.

This is our only salvation; this is the only way. We will show the Catholic churches that we will give them the very best work that can be made in any part of the world.

Senator SMOOT. Will the sizes here meet your situation, which is another thing I want to say, because in 230 it says: "Stained or painted glass windows, and parts thereof."

Mr. WEST. That covers our situation, Senator, precisely.

Senator WATSON. If the German product does not compare with the American product, how can you get American valuation?

Mr. WEST. There is sufficient comparison between the commercial types of windows to apply the plan.

Senator WATSON. If they have no comparative American valuation?

Mr. WEST. They have. Senator, there are many clergymen who, while theologians, do not understand anything about stained-glass windows; they only think if it is imported and it bears the stamp of being imported it is all right.

And another thing, some of these clergymen have three or four years in which to pay their bills. That has been my work as representative of my local and as representative of the international. I was international president for four years, and I had to do with these things in the Supreme Court, and through all the sessions of Congress where these people, through propaganda, fought us, and that is what they are doing to-day under the cloak of religion, through propaganda. The records are flooded with it. They say in 50 or 100 years we may be able to make skilled work as good as Europe. Good Lord of Mercy, it is not art or skill, it is a matter of price, and if they want to get good work and are willing to pay for it we can and will give them the very best.

SUPPLEMENTAL STATEMENT OF OTTO W. HEINIGKE, REPRESENTING THE NATIONAL ORNAMENTAL GLASS MANUFACTURERS' ASSOCIATION OF THE UNITED STATES.

This witness asks leave to say that since his former statement there has come to his notice a most pernicious propaganda being conducted by certain importers who fear to show their hand in the matter, and who are doing as they have heretofore, using religion as a cloak and shield. We are submitting a copy of a letter which has been circulating throughout the Middle West, by a prominent German importer, by his American agent, Louis Merkel. The German importer is F. X. Zettler, of Munich, Germany, and this letter has been sent to a prominent bishop of the Roman Catholic Church of the Middle West, who wrote to the rest of the bishops and archbishops of the United States, asking them to use their influence with your committee. The motive that influenced the bishop in writing to the other bishops was that he desired to import a number of windows without paying any duty upon them. The bishop's letter was handed to us by a clergyman of the West. We have deleted the name of the bishop to whom the importer's letter was sent and the name of the bishop to whom the importing bishop wrote.

We notice that Importer Zettler's letter, above referred to, made the statement that the American windows were not as rich or as high-grade windows as those imported; to show the falsity of this statement we are introducing into the record a number of letters from American clergymen, commending an American manufacturer on the type of windows they produce.

—
CREDENTIALS.

OCTOBER 10, 1921.

To whom it may concern:

This is to certify that the bearer, Mr. Walter West, at the meeting of the above-named organization, held on October 10, was duly elected as the accredited and fully credentialed representative of Local No. 520 of New York and vicinity, to take up and prosecute the matter of tariff legislation in regard to the importation of stained-glass windows into the United States, and this, in connection with his representing the Brotherhood of Painters, Decorators, and Paperhangers of America, the parent body, Mr. J. C. Skemp, general secretary and treasurer, headquarters Lafayette, Ind.

DECORATIVE GLASS WORKERS
PROTECTIVE ASSOCIATION, LOCAL NO. 520,
GEO. WEIDMANN, *Corresponding Secretary*.
WM. F. MULDOON, *President*.

—
LAFAYETTE, IND., November 4, 1921.

To whom it may concern:

This is to certify that the bearer, Mr. Walter West, has been regularly and duly authorized, empowered, and instructed to represent and to act for the Brotherhood of Painters, Decorators, and Paperhangers of America, its general officers, general executive board and local unions in an effort to secure the insertion of a section in the tariff bill providing for the imposition of a reasonable duty upon stained or painted glass windows imported into the United States from other countries.

By order of the general executive board of said brotherhood.

Attest:

J. C. SKEMP,
General Secretary-Treasurer.

—
CONSENSUS OF BRIEF.

Rev. JOHN J. BURKE, C. S. P.,
General Secretary National Catholic Welfare Council,
Washington, D. C.

REVEREND SIR: I herewith submit in a concise manner and form the cardinal points contained in my brief for your information, so that after reading you will have before you the most important points to assist you in arriving at a decision in this all important matter or question so vital to the future and well-being of the working men of our industry.

I have given you uncontrovertible evidence that it would be an injury, and serious at that, to the industry and the working men thereof if stained-glass windows were permitted to come in free of duty.

- a. Have shown you it would wipe out the industry, because we can not compete with the foreign houses on account of the difference between their wage and ours.
- b. Have shown you the difference in wages between the German and American; the German wages are from 14 to 20 cents per hour, in some instances, as against 80 cents in America. This is an average; in some localities \$1 per hour is the scale paid. The European wage scale is what permits 70 per cent of the church work in the United States going to European establishments.
- c. Have shown you it would be an irretrievable injury if through your brief you were successful in having stained-glass windows imported into this country free of duty; that it would be calamitous in the extreme.
- d. Have shown you that the windows from the establishments of the people herein spoken of or from Germany or from Austria attain only to the degree of moderacy and not to the degree of high art or first-class windows.
- e. Have shown we not only can, but do execute better work than comes from the aforesaid countries, and in this I am speaking purely of the commercial product.
- f. Have shown the whole matter or question is one of price, cheapness, not art.
- g. Have shown that in presenting your brief, you committed an unconscionable act.
- h. Have asked you to, and shown how you can remedy the injury done.
- i. We claim that if the deceased Archbishop Ireland and the Vicars General the Rt. Rev. Mgr. Joseph F. Mooney and the Rt. Rev. Mgr. Michael Lavelle and the Rt. Rev. Mgr. Edwards could afford to take the stand they did in 1913 by endorsing a petition to the Finance Committee (a copy of which is herein inclosed) by asking for favorable consideration of the same under signature of Rt. Rev. Mgr. Mooney who also telegraphed Senator O'Gorman asking him to use his best endeavors in our behalf, I am sure Father Burke and the National Catholic Welfare Council unhesitatingly can afford to do likewise.
- j. Have shown you that compliance with the request contained in your brief by the Ways and Means Committee, the Finance Committee, or Congress will be solely and wholly in the interest of the foreign houses.
- k. When I read from a booklet of an extract issued by the National Catholic Welfare Council, which in part says, "The Catholic Church of America will continue to uphold American tradition, to promote our national ideals," then I am unwilling to believe that you, Father Burke, or through you that the National Catholic Welfare Council would wish for one moment to or in the slightest degree contribute to the wiping out of our industry or would desire to see the American standard of living lowered.
- l. Have shown that no credence can be given or should be placed in Merkel's statement, much less that of Wyvell's, for like Merkel's it is a manufactured article only of a much poorer quality, and one can well afford to ignore the statements of both.

Most respectfully,

WALTER WEST,
Business Agent Decorative Glass Workers' Protective Association.

DECORATIVE GLASS WORKERS' PROTECTIVE ASSOCIATION,
New-York, November 19, 1921.

Rev. JOHN J. BURKE, C. S. P.,
General Secretary National Catholic Welfare Council,
Washington, D. C.

REVEREND SIR: In addressing you I do so as the accredited and fully credentialed representative of Local 520 of New York and the Brotherhood of Painters, Decorators, and Paperhangers of America, the third largest international organization in the American Federation of Labor, with a membership of 125,000, comprised in some one thousand three hundred and forty-odd local bodies, located throughout the United States from coast to coast and in Canada, with headquarters at Lafayette, Ind. I am credentialed by both organizations to take up the question of tariff legislation with you and that now pending before Congress. The items concerning our industry are those relative to the importation of stained-glass windows for churches and contained in paragraphs 95 and 655 of the present or 1913 tariff act, and which are now 230 and 1688 in H. R. bill 7456. I make the above statement as to my identity and position that there may be no misunderstanding on your part or the National Catholic Welfare Council that I am in the strictest sense representing the working men of the stained-glass industry in the United States, the employers not contributing one penny toward defraying my expenses.

Not only are the above-named organizations very much concerned and interested in this matter but also is the American Federation of Labor, the building trades department thereof, and the innumerable councils of said department, and central bodies scattered throughout the United States, which means practically in all the cities and large towns. Comprehensively, this will give you some idea of how great the subject, that of the importation of stained-glass windows into the United States for churches and houses of worship, is. Hence the brief of the National Catholic Welfare Council filed with the Ways and Means Committee of the House of Representatives by you is of the most serious importance and concern to the organization I have cited, and particularly so to the working men of the stained-glass industry, whose direct affiliation I have cited above, and this, because your brief not only refers to stained-glass windows but to other things which go to make up a part of the building or erection of churches and houses of worship, and this brings into consideration many of the other crafts or trades, as well as our own; hence the interest and concern to many of the trades directly and to all more or less.

I called at your office some weeks ago and had the pleasure of meeting your Mr. Barron, and with whom, learning of your sickness and that you were away from the office, went over the matter upon which I called to see you. Mr. Barron was very courteous and accorded to me whatever time I desired to go into the subject upon which I called. He advised I write a full and explanatory letter or statement of facts, giving all the details, so that from the data submitted you would have a clear and comprehensive understanding of the subject matter in question, and but for the fact that I myself had been quite sick practically since my return to New York, I would have taken this matter up sooner and written you, as I said I would do to Mr. Barron.

The subject matter in question, I take it from your brief, is one in which you are much concerned. Unquestionably it is of the gravest concern to us, and I therefore feel that you have the right to and should receive the fullest and clearest information and explanation thereon from me, and as it is a subject matter with which our organizations have had to deal for many years past, it will necessitate my going back some years, perhaps, and into much detail. I desire to be absolutely conscientious in whatever statements I may make, as I can only hope thereby to receive the consideration I feel is due us, and I say this much because of the language used in the brief submitted by you to the Ways and Means Committee as well as that contained in the brief submitted by Mr. Manton M. Wyvell of behalf of Louis Merkel, representative of the Royal Bavarian Art Institute for Stained Glass, with headquarters at Chicago, Ill.; also because of the several letters sent to various bishops and dignitaries of the Catholic Church by Mr. Merkel and made mention of in the course of the hearings before the Committee on Ways and Means; and possibly in submitting your brief you may have been influenced by the brief and letters I herein refer to.

If I might be permitted to express an opinion, would say that your brief savors somewhat and gives me the impression of having been written by one who was not entirely familiar with and well informed upon the subject in question, and possibly therein may have been influenced to a very great degree by the fallacious statements made by the representatives of the foreign houses and contained in their letters and briefs. They have not in the past, as they are at the present time and in the formation of the present proposed new bill now pending before Congress, resorted to such diabolical, vile, and pernicious statements; but nevertheless it is the same old tactics and misrepresentations as with each successive change of Congress they have used in the past to such an extent that it is nauseating in the extreme. It is with them a part of their stock in trade, as it were, a manufactured article which can be taken down from the shelf and handed out at any time. The import of this statement will be more appreciated when I say it is the same old crowd, the same people, and strange is it that our Catholic Church and the pastors thereof, or those who come in contact with these representatives of the foreign houses, do not understand and are misled to such a great degree, are hoodwinked, blinded and deceived by this propaganda emanating always from the same countries and people, with Austria included heretofore.

It is with a marked degree of pleasure that I say that the English firms do not feel it incumbent upon them in the slightest degree to indulge in this spurious, subtle, obnoxious, and untruthful propaganda. Never yet has this been done, to my knowledge, by any of the English firms, a marked difference between the two peoples or countries.

I had thought to take each item and statement made by Wyvell and Merkel and the various letters emanating from these representatives and their briefs submitted, in fact, I had gone into it to a considerable degree; but as there was so much to it, I found it would be a voluminous task and like writing a book, and that it would be asking too much of you and the National Catholic Welfare Council to read and consider such a lengthy document. After spending much time I finally discarded the work I had

done on this matter, feeling that a briefer statement, touching on the cardinal points of the subject, would be much more clear and appreciated.

When I say that I could go back to the years of 1890 or so and cite to you from then on the maledictions and the unscrupulous tactics used by these people, the German and Austrian Houses, their heinous work, it would indeed become a voluminous matter, and it must not be forgotten that we have just cause—yes, bitter cause—to complain.

They have resorted to all the technicalities that were possible to create in the different laws or paragraphs relative to the question of stained-glass windows, and under one subterfuge and another have tried to evade Uncle Sam's laws and mulct the Government and their consciences have known no limit in this respect. First it has been pictorial paintings on glass, then paintings, then works of art, then presentations to the church, and after meeting many obstacles in this warfare of theirs to crush the industry in this country, to wipe it out and annihilate the workmen thereof by so doing; to kill, as they have other industries in this country; and being defeated in these, their efforts, we now find them flooding the country with propoganda of the most sordid, gross, and malicious misrepresentations that it is possible to manufacture.

Congress in drawing up these paragraphs relative to the stained-glass proposition may have thought, or those personally responsible, that they knew what they were doing. They are ambiguous, to say the least, and difficult of true and exact interpretation, misleading in their terms and phrases, a fact I have pointed out to Member of Congress at different times—to Senator Simmons when chairman of the Conference Committee in the Wilson administration, who agreed with me that the paragraph was not clear and should be rewritten, and but for the interference at that time and jealousies of some of the Government experts, this would have been done. To my knowledge, I know that their influence was made manifest.

I also took the matter up with President Wilson at the time, through a lengthy communication. I am now speaking, you understand, of the Underwood bill.

We have had to fight the battle against these German and Austrian houses for years. I have been the one who foremost has been precipitated into these struggles in behalf of the workmen of this industry, and you will appreciate what these efforts mean, falling always on the shoulders of one person, so to speak. There have been others in the battle, but none have had to do in the matter as I. It has been a terrible effort and strain, this warfare, and it has cost the workmen thousands and thousands of dollars, which have had to be paid by assessments. Not only this, but they have had to sacrifice thousands and thousands of dollars more in the loss of wages caused by the loss of work that the pastors of church saw fit to and did give to these houses I refer to and other foreign competitors, more particularly to the German and Austrian houses mentioned herein, and other firms in these countries whose names I do not give because we only hear of them spasmodically.

It must not be forgotten that we have England as a close second in the matter of foreign competition, who has a great advantage over these countries I have mentioned because of the excellency of their work which is so far superior from every point of view, composition, drawing, color, technique, and workmanship, that the difference between the two is as night and day and absolutely incomparable. England, even with its best work, we find in competition is 25 per cent cheaper, at least, than the firms in America that produce the same quality of work, and these not confined to one locality, for we have firms from coast to coast who turn out of their workshops first-class antique church windows, and not of the German or Austrian quality or type, but of the English character, in trade terms, so to speak, only intensifying the same in drawing and richness of color.

And let me here say while the thought is at hand, that in one of the letters submitted in the hearings now taking place before Congress, mention is made by the foreign representative Merkel who in his letter is addressing a right reverend bishop, and in which letter Merkel is asking to have petitions sent to Congressmen and the members of the Ways and Means Committee, and states that desired results were obtained seven years ago when the matter was taken up by the Catholic Hierarchy. This is some of the propoganda circulated by these representatives and here you have the naked truth of the same, and in said letter he makes other grave assertions, and lays great emphasis on the assertion that the products they turn out are works of art, and are carried out in real antique glass, and further on states that it is a well-known fact among Catholic priests and all lovers of art that the beautiful and brilliant windows made in Europe can not be reproduced in this country, and that American manufacturers claim an output of some six or seven million dollars per year, and asserts the importations were never more than \$200,000 annually, hence comparatively small from the standpoint of foreign competition, as well as the revenue from duty if it

should be added. He asks to be apprised of whatever action the right removed bishop might take in the matter.

There is no mistaking the language, intent, and purpose thereof when Merkel, in his treacherousness to deceive and misrepresent to the clergy, speaks of stained-glass windows as works of art carried out in real antique glass, and also his great effort, an unblushing misrepresentation, when he says, "these windows can not be reproduced in this country," and that he is referring to the product turned out of the establishment he represents.

Briefly answering this statement, will say that stained-glass windows are purely and simply a commercial product, bought, sold, and known as such the world over, notwithstanding the statement of Merkel in characterizing them as "works of art," for in their construction they pass through the hands of very many persons; one person may paint the heads, another the hands and feet, another the drapery, and another the tracery work, and still another do the stencil work. Then we have the men who cut, glaze, and cement the work, and still others who install the same.

Mr. Justice Brown, in the October term, 1892, of the Supreme Court of the United States, on an appeal from the Circuit Court of the United States for the Southern District of New York, in which the United States was the appellant, under date of November 7, 1892, among other things, in rendering his opinion says: "It seems entirely clear to us that in paragraph 757 Congress intended to distinguish between 'pictorial paintings on glass,' which subserve a purely ornamental purpose, and stained or painted glass windows, which also subserve a useful purpose, and, moved doubtless by a desire to encourage the new manufacturer, determined to impose a duty of 45 per cent on the latter, while the former were admitted free. As new manufactures are developed the tendency of each tariff act is to nicer discriminations in favor of particular industries."

And further on he says: "The fact that these articles are advertised and known to the trade as painted or stained glass windows is an additional reason for supposing that Congress intended to subject them to a duty. The judgment of the circuit court must therefore be reversed."

In this instance the foreign houses had attempted to have stained-glass windows admitted free of duty, designating them "pictorial paintings on glass."

Referring to Merkel's allusion that these windows from Germany are carried out in real antique glass and that they can not be reproduced in this country, and in Wyvell's statement touching on the same question, he says "when antique glass is specified for an order the domestic manufacturer will import the same at a high cost, and that he also makes continuous efforts to bring European glass painters and workers over here where the technique of stained glass is but little known."

Briefly answering these statements, will say that when any of the firms in this country make antique-glass windows they are generally made of antique glass that is imported from England, which is considered a much better product than that turned out of the furnaces in Germany, and Wyvell in not at all referring to any firms that make a standard stained-glass window, but some small firm, perhaps without any reputation or even recognized as being able to do moderate work, yet is speaking in generalities and would have you believe just what he says, yet this is intended to deceive.

The firms turning out antique windows are known as antique shops, who have imported and have on hand a large quantity of antique glass; otherwise could not do any business. You can well understand the absurdity, the incredulity of this man Wyvell's statement above referred to when he tells you that American firms when they secure an order are obliged to send to Europe for the glass to execute the same.

Unequivocably, many of our firms have an exceedingly large stock of the finest antique glass in their stock rooms which they have procured and selected personally at the furnaces of the makers, or have procured through samples sent to them on request, and therefore can select the finest glass that is turned out by the furnaces, which they are only too glad to sell the firms in this country because they can get a high price for the "special glass" they turn out. This fact I am thoroughly conversant with as I have been connected with establishments that did antique work and carried a large supply and imported the same in large quantities from England.

In reference to making continuous efforts to bring European glass painters and workers over here where the technique of stained glass is but little known, will say this is not so. It is malicious in the extreme, and Mr. Wyvell has no right whatsoever to tell you such a thing, because he may perhaps have learned of some one firm that was negotiating for a flesh painter. I do know of a firm that is continuously changing help and may for one reason or another try to secure a flesh painter in Europe, but I know of no one in this country who is making efforts at all to secure workers, for there is not a city in the United States that maintains stained-glass establishments, but that over 60 per cent of the men are out of employment.

Speaking of and in the instance of New York City and vicinity, Boston and Philadelphia, and I might go on to name other cities, there are much over 60 per cent of the men idle, and have been for a long time.

But why take up the time of answering all the things or statements emanating from Wyvell or Merkel. I could indeed keep on and at the end would have just what I have tried to avoid, a voluminous, burdensome statement which would without doubt be tiresome for you to read. It might be as well for me briefly to state that the statements contained in both the letters and briefs of these individuals are most absurd. They are untruthful, malicious vituperations—manufactured and meant or intended to accomplish one purpose and object, that of deceiving the pastors of the church. I might particularly refer to Mr. Wyvell when I say that he is most guilty in the misrepresentation of the facts contained in his brief. For the whole subject and matter seems to be visionary to him, as most assuredly he is not in any manner or sense at all familiar with the subject in question.

Our intellectual vision is perfectly clear; we are not troubled with hemiopia in the slightest degree.

I feel that in presenting your brief to the Ways and Means Committee you did not know or apprehend such a request as made or contained therein, that of asking for the free importation of stained glass windows, would be an injury to the industry of the workmen thereof, and from the tenor and language expressed in said brief, I feel that after you have read my explanations and considered what I have said about the whole matter, that you will not alone as a clergyman, but as an American citizen, be slow to perceive and appreciate my explanations and agree with me that you have not thoroughly understood the true situation, and perhaps having been misinformed, hence misled in submitting your brief for the fallacious and pernicious propaganda of the foreign houses or their representatives. In other words, your opinion is strongly supposititious because of the said propaganda.

Your brief represents and speaks for and on behalf of the hierarchy of the Catholic Church in the United States, and you can well imagine without my dwelling forcefully upon the fact that the great influence thereof manifestly will have and carry very much weight in the Houses of Congress and with the various committees or bodies thereof, with whom this subject will be taken up for consideration.

Your expression of opinion is rhetorically pronounced, decidedly emphatic and weighty, and that this with Members of Congress will have its powerful influence and effect, there is no mistake. This point I particularly desire to bring to your attention, for should I not make absolutely clear to you the erroneousness of the idea under which you are laboring, we would unequivocally pay a severe and costly penalty and the workmen of our industry be most seriously injured and greatly be made to suffer.

You say in part in your brief, that if the National Catholic Welfare Council or the hierarchy of the Catholic Church in the United States were convinced that American manufacturers or American workmen would suffer by the free importation for churches of ornamental stained glass windows, marble and church statuary used in the erection of or as works of art in churches, to have these commodities put on the dutiable list. In plain words, you would not seek to oppose the manufacturers in their efforts to have imported stained glass windows pay a duty that would permit of or allow the American manufacturers, and the American workmen an equal or fair chance in the matter of competition with the European manufacturers and workmen.

Let me say right here that these foreign houses are fully aware of the tremendous influence that their propaganda under the cloak of religion has attained in the past, hence their activities now with the dignitaries of the church are more pronounced than ever before. This must be very apparent to you, and I desire to particularly call your attention to the fact that the foreign houses have for years made efforts to secure the recognition and indorsement of their work from the head or influential body of the Catholic Church in the United States, and that they can not help but feel extremely gratified and happy that at last this has been achieved. You will appreciate more keenly and seriously the importance of what I am saying when I tell you that they have secured all and more than they have been looking for in these long years by the full and unequivocal indorsement and guaranty which is given in the brief you have filed with the Ways and Means Committee.

If you will consider the enormity of what this means, then you may be able to imagine to some degree the feelings of the working men of this industry in the United States, and also you may well imagine if through the efforts of the National Catholic Welfare Council now being extended by them with Congress they should be successful in having stained glass windows retained on the free list, that the outlook of employment to these men will be certainly a dark and dismal one for them to behold.

I might again say that I have noted all that Wyvell and Merkle make mention of; I have considered it all; and while I would like to, I can not attempt to answer all

these matters nor can I very well undertake to touch on all your brief contains, but will say so far as Wyvell and Merkle are concerned that all they say might well be ignored if it were not for the fact that it has to do with a subject that is most serious to the working men of our industry. In short, the statements of these persons mentioned are absolutely worthless.

I might, however touch on one of their statements, that of our firms having to seek help in Europe.—To my personal knowledge I know of first-class flesh painters, cartoonists, people I have personally met in cities outside of New York, that have importuned me for positions, willing to go anywhere in the country, besides my receiving a number of letters from others, this because of the bad condition of the trade and poor opportunity to get employment. And some of these painters I know have gone abroad after having been out of employment for very many months here; while others are seeking employment at whatever else they can turn their hand to.

There is mention made by Wyvell or Merkel, to some degree, of the kind of windows that are made here with antique and other kinds of glass. Briefly I will say, I presume what was referred to is what is called a "combination window" by some. I have seen a number of these windows and there is no mistaking the fact, even though they be not made entirely of antique glass, that they are beautiful windows, and without doubt would be considered far superior to the product which is sold by these persons or foreign representatives.

Referring to antique glass and our being obliged to purchase the same from the factories of Europe whenever we secure an order for an antique window, will say in addition to what I have heretofore that our firms not only carry a large stock, but the firms in England making this glass are only too willing to send samples of special product, as they are well aware they not only find our firms ready buyers, but they find also they can secure a higher price. So I think that sets at rest any argument advanced by the persons mentioned above.

I feel it incumbent upon me to mention the fact of my long connection in the stained glass industry as a workman. I have held various positions of responsibility, both in Boston and New York, that of foremanships, and acted as solicitor at times, which work brought me in contact with clergymen of all denominations, and during this long period I have placed or set windows in various parts of the country, not only of domestic manufacture but of English and French as well. I installed many of the windows in Trinity Church, Boston, all of which were made by firms in England with the exception of one, which came from the principal firm in France. This was a large transept window made by Hudinot and of an entirely different character from that of the rest of the glass or windows in the church. Instead of being made of antique glass it was made of what we call in the trade "Belgian" or "sheet" glass, pot metal or flashed colors. These windows, as well as those in what we call the new Old South Church, which also has all English windows, are most beautiful the German windows being incomparable thereto. I have also installed windows in many of our cities in the United States, and for different firms that I have worked for, among whom in New York was the Tiffany Studios, whose work to-day is renowned. I also worked for Mr. John La Farge, who was considered our great American colorist. I installed windows for Mr. La Farge, one of which having but four figures in it cost \$20,000. I installed some of the large windows in the Paulist Fathers Church, and numerous others for Mr. La Farge in other parts of the country. And I continued with the firm (The Decorative Glass Studios) where Mr. La Farge had all his work executed, or at least for many years before he died, for a long term of years, and was one of their setters, installing work in various parts of the country. Let me here mention that Mr. La Farge executed the large painting in the chancel of the Church of the Ascension, where was also installed quite a number of his windows. The painting I refer to is said to be the most beautiful church painting of the present century in America, the price of which was some \$30,000. It is a marvelous piece of color work, the inspiration and admiration of all that see it.

I was also employed by the renowned decorating house of Herter Bros., a Fifth Avenue establishment, New York City. I was there as workman for some years. The last six years of my connection with the house I was foreman of the stained glass department, and likewise set work for this house in various parts of the country. I was employed by my father, for whom I went to work in 1870 in Boston, and for him installed windows in various parts of the country. I also solicited while I was there. He, with the firm of John Morgan & Sons, of New York, which is still in existence and doing excellent antique windows, did about all the Catholic Church work at that period in America.

When any of the first-class firms in New York have executed windows of special moment, I am usually invited in to see them, and I want to say that, although the very celebrated Tiffany Studios do quite a different class of work from the painted

houses, a class of work similar to that executed by John La Farge, they also invite me in when they have something of special moment on exhibition in their studios.

I therefore feel, Father Burke, that you and the National Catholic Welfare Council, from the above statements of my connection with the industry, will agree that I ought to be, and am, fully competent to judge and know the difference between what might be considered good and poor work, and I want further to say that in the stained-glass industry it is not considered that any good windows at all come from Germany. At best they are only considered of a mediocre character. So when you speak of these windows attaining the rank and degree of art work and speak of their beauty, then I can not agree with you.

You have a specimen in your St. Patrick's Church here in Washington, which I visited on two occasions, the last being on Sunday last, and after services made a thorough examination, as it were, of Myers's windows, of Munich, which are installed there, and will say that they attain only to that moderate degree of workmanship. There is nothing about them that would cause one who is at all acquainted with good work to give them a second thought, and what I say of these windows can be pretty generally accepted of all the windows that come from Germany and Austria. And yet this work is spoken of by these representatives of the foreign houses as being artistic, beautiful, and of a high order or degree of art, and they attempt to tell us how much we can learn from them, and that in the course of 50 or 100 years the industry may advance to that degree where we will be able to execute windows like those now made in these countries. It would, indeed, be hard for one who knows to answer this contemptuous and more than insulting statement to American idealism and progress.

We do not need the German or Austrian work to draw lessons from or, in fact, that of any other country. What we do need is the patronage of the pastors of the Catholic Church, and there is no better help that we could receive or benefit to the industry than to have the National Catholic Welfare Council, instead of advocating to the pastors of their church that they patronize the foreign houses, advocate in the strongest manner possible that the American firms in this industry be patronized in the future. There is no question whatsoever but that we can give to the churches the very best glass that can be made, but we can not do this when we are asked to compete with European firms. We never have been able to do it, and this is our great drawback, not lack of ability to execute and turn out as good work as the European countries. It is purely and simply a matter of price, and I could here go on and give you comparisons that have recently come to my notice, differences of \$8,000 in an \$18,000 job; and I have figures before me of the European prices being more than 400 per cent cheaper than the American price. I have many comparisons, but space nor time will not permit of my going into them.

We need the Catholic Church's help, and if space would permit I could recite to you many declarations of that kind. I would like to mention, however, that I had occasion during the Wilson administration, or at the time of the Underwood bill, to call upon the vicars general, the Rt. Rev. Mgr. Joseph F. Mooney and Rt. Rev. Mgr. Michael J. Lavelle, as well as the Rt. Rev. Mgr. John Edwards, at the Cathedral, in New York City, to secure their aid and assistance in the matter of tariff legislation then pending, and I received from them an indorsement to my proposition, which I was presenting to the conference committee, in which they heartily indorsed any tariff legislation or duty on stained-glass windows that would permit of competitive conditions and was not prohibitive. Besides this, Mgr. Mooney addressed a telegram to Senator O'Gorman asking him to use his personal influence in our behalf.

I also addressed the Most Rev. Archbishop John Ireland at this time, and let me here give you a copy of his answer to me:

ST. PAUL, September 20, 1913.

MY DEAR SIR: I am in receipt of your letter in which you tell me of the very unfavorable situation in which the "stained glass" business will be placed should foreign stained glass for churches be put by Congress on the free list.

I fully agree with your views and fears in this matter. I have occasion to know something about foreign and home-made stained glass for churches, and I know, beyond a doubt, that with the foreign article imported free of duty, the home article is driven from the market.

I am also interested in stained glass for use of churches. If I had only churches in mind, I might applaud the proposed action of Congress putting the foreign article in the free list. But I look beyond the immediate benefit of churches to the general good of American industries, to the general welfare of American workmanship, and I believe that when we come to such an issue churches should impose upon themselves some sacrifice and help in maintaining, on a proper footing, the business of the country.

I hope that your efforts will be successful in maintaining some figure of duty on the importation of stained-glass windows for the use of churches.

Very sincerely,

JOHN IRELAND,
Archbishop of St. Paul.

I also herewith give copy of letter from the Most Rev. Archbishop George W. Mundelein of the Diocese of Chicago:

CHICAGO, ILL., February 2, 1920.

JOHN J. KINSELLA & Co., Chicago, Ill.

MY DEAR SIR: Now that you have finished your contract and completed the installation of the windows of the Chapel of St. James in our Diocesan Preparatory Seminary, I feel that you and your men have merited a word of commendation on your work. I am entirely satisfied with the manner in which you have carried out your contract. As for the windows themselves, I believe that together with the windows in the Cathedral Chapel of the Queen of All Saints in Brooklyn they constitute the richest and most artistic windows in any of our Catholic Churches in this country.

You have helped to prove the truth of my contention that our stained-glass concerns in this country can do work in no way inferior to the makers of church windows abroad.

You need no further word of recommendation from me; just have prospective buyers visit the chapel and the windows will advertise themselves.

Sincerely, yours,

G. W. MUNDELEIN,
Archbishop of Chicago.

Here let me cite a circumstance in connection with the windows for St. John's Chapel, Brooklyn, which Archbishop Mundelein was building at that time. I called on the archbishop to inquire if he had yet placed his contract for the stained-glass windows for the chapel, and in answer to my inquiry the archbishop stated that he was on the eve of closing the contract and had decided to give the work to a foreign house, that he had been to Paris and visited the Sainte Chapelle, and wanted a reproduction of the glass there in his chapel, and stated he did not believe that anybody in America could do the work. He tried to disabuse my mind of the idea that there was any American firm that could give him what he wanted, an exact reproduction of the Sainte Chapelle. I was very persistent in trying to convince the archbishop that we could give him precisely what he wanted, and that he need have no fears in the matter, if he would but be willing to pay a fair price for the work—that is, I told him that otherwise there was no use of firms going into competition with the European firms, as competition with them was entirely out of the question. I further stated that I would, in order to convince him that our firms could execute the work, have such firms as he might choose to designate make samples without any expense to him whatsoever, this being something that was never done before, but as our men were sorely in need of work I felt I could make such a promise without consulting the firms, on the condition that the archbishop would give the work to some American firms if the price was not more than \$200 or \$300 a window over the European firms.

I conferred with the firms, some five or six, who made samples, the same width as the window and some 5 feet or so high, one firm making two samples, and to give you some idea of the efforts extended by me, I wish to say that the firms complying with my request went to an expense of between \$500 and \$700 apiece in their anxiety to secure the work. There were some 10 firms in all, I believe, in the competition, and I understand if correctly informed that the estimates on the operation ranged from about \$28,000 to \$40,000, the contract finally being awarded to a New York firm.

When the work was awarded I inquired of the archbishop what he thought of the American samples, and he stated that from an artistic point of view those of the American firms were equally as good, to say the least, as any of the European, and so far as workmanship was concerned, he considered the American samples superior and was convinced we could execute the work and was very glad to award the contract to an American firm.

Herewith I submit copy of a letter, which has come to my notice, from the bishop of the Methodist Church, Buffalo, N. Y., Bishop William Burt, as follows:

"Unfortunately I know very little with reference to the matter you speak of, although I am dead opposed to the admission of any article free of duty because consigned to a church or religious order. Churches and religious orders should not live on special privileges but meet the requirements of the law, as we all should. I will be very willing to join any company of men in petitioning Congress in this sense."

I quote also another letter from the Rev. H. R. Jordan, pastor of St. Pius V Church, Cannon Falls, Minn.:

"KNIGHTS OF COLUMBUS,

"ST. PAUL COUNCIL NO. 397,

"St. Paul, Minn., February 9, 1921.

"TO THE NATIONAL ORNAMENTAL GLASS MANUFACTURERS' ASSOCIATION OF AMERICA.

"DEAR SIR: Having spent two years in Rome in post-graduate work and traveled in most of the countries of Europe, I took occasion to study quite completely the economic problems I met in my sojourn abroad, the vast difference between the conditions of living, hours of employment, and wages for labor in European countries and those maintained in the United States at this time, years of 1911, 1912, and 1913, convinces me that a tariff was absolutely necessary to protect American labor from what in effect would be starvation wages and the untold ills that would follow.

"Since the war a cursory study of economic problems shows the pitiable plight of labor abroad and how impossible it would be for us to compete with European labor, particularly in Germany and Austria. To allow manufactured products to enter our country free of duty would be suicide to many industries, and perhaps chaos to our whole economic structure. We must protect the American workman, for in the last analysis he is the backbone of America and America's free institutions, by a tariff equal to the difference between the cost of labor abroad and the cost of labor at home.

"I therefore heartily indorse movements of this kind which tend to maintain the standard of living to which the American workmen are accustomed and entitled."

It is said by the foreign houses with some emphasis and degree of force that we can not make windows equal to those made in Europe. Let me cite to you briefly a circumstance in which one of our leading firms who was asked to make a set of some six windows on which there was no competition, but one of the donors desired to have a window from the old church reconstructed and made one of the set of six. The firm, believing it would mar the effect of the set he was asked to make, absolutely declined the order, purely from an artistic point of view. Financially the matter of price did not enter into the proposition, but he could not afford to do this and have the effect of his work marred. He invited the proposed clients to take their order elsewhere.

I might cite you briefly a case at hand, that of the Cathedral of St. John the Divine in New York. They are installing a set of windows in the chancel. The center opening costing \$15,000, and heralded and trumpeted very loudly in our newspapers, on the front pages of which was a reproduction of this window. And as there was so much talk about this particular window, I invited an artist friend of mine who had worked in the very best establishments in Europe to go up to the cathedral and examine the window with powerful glasses and let me know, conscientiously and unbiased, if he believed such a window could be produced in this country. I want to impress upon you that there is no question about this man's ability, as he has spent a lifetime in the stained-glass industry, and is a painter of some merit on canvas. I have seen very many of his works. His answer to my question was that we not only could do as well, but better. This window came from one of the leading stained-glass establishments in England.

I could cite you many more cases, adding to what I have already said of Trinity Church, the new Old South of Boston. As a matter of refutation of the statements of these foreign representatives in the brief of the hearings of the Ways and Means Committee, will say that in St. Patrick's Cathedral, New York, you have two or three specimens of American painted antique windows. They are side by side with the best English windows, and save that they have been made with certain ideas of conforming to their position and the light upon them, one could not tell or distinguish them from the English-made windows. I am speaking now of the Lady Chapel, and we have therein one window made abroad which is perfectly abominable and which the ones in authority there may finally decide to replace with a window more in keeping with the rest.

Regrettable it is that the windows in the Lady Chapel were not made by one of our first-class American firms. Here was an opportunity for an exquisite effect of good windows to be made. I believe the Tiffany firm, who do a different class of windows from the painted establishments, was asked to submit sketches or figure on the job, and although they, as I say, do not do the painted window, the cathedral would have been rewarded with a most exquisite set of windows. The firm has its own furnaces, making its own glass. This can not be reproduced anywhere in the world. Not a pound of their glass is sold to any firm. I have seen medallion windows in their studios that far surpassed any painted windows, this because of their glass and the exquisite coloring and brilliancy of the same. This work, however, commands a very high price and it is the reason it is not used in the Catholic churches as the painted

windows are, although I do know some pastors of the Catholic Church wanting an exquisite gem who have placed their order with the Tiffany studios. I am making this explanation because some pastors undertake to depreciate the work or windows made by the late John La Farge and Mr. Louis Tiffany of the Tiffany studios, who for art's sake and to perpetuate it in this country has endowed his estate on Long Island as a memorial to his name and fame with a million dollars' endowment to help and assist young and rising art students.

Getting back to the painted work, I have told you of my long experience in the industry, something over 50 years, and I think you will agree with me that I ought to know something of what I say, and I candidly tell you that in New York, Philadelphia, and Boston we have not only a few firms but very many who have studios that not only can but do turn out better windows than those made by the foreign houses herein referred to. And what I say about these cities can be pretty generally said of all our cities where stained-glass windows are made.

Architects who heretofore have acclaimed the English work very loudly are now placing their orders for windows with our American firms. They are being weaned away from that skeptical idea that only in England can the higher order of stained-glass windows be procured. We are convincing them, because of the high order of the work produced by our firms.

So this cry of the foreign houses and their representatives referred to hereinbefore is a great bugaboo and has been worn threadbare; that in 50 or 100 years we may be able to produce windows equal to the European. Of course, this reference means the German houses. The whole proposition resolves itself into a matter of price, and when I tell you that two German houses in recent months have secured orders for \$220,000 worth of windows, one having \$140,000 and the other \$80,000; and also tell you that this is a small amount compared to two of the leading German houses whose orders will probably aggregate twice as much, it will give you some idea as to the statement of the representatives of the foreign houses that there is but \$200,000 of windows imported into the United States in a year. A rough estimate, we calculate, would be close to \$2,000,000, and with the indorsement of the National Catholic Welfare Council there is no question but that the amount would run very much higher.

Perhaps you can conceive of the incongruity of having a memorial window to one of our soldiers killed in the late European War made in Germany, and this in competition with an American firm. This I note in reading the report of the hearings now going on in Congress before the Ways and Means and Finance Committees. The question was asked by the chairman of the Finance Committee of one manufacturer if this was a fact, the manufacturer replying he happened to be one of the unfortunate competitors.

I say the whole question is a matter of price, and when you consider the question of difference between that paid the German and American workmen, then there is no other answer to be made by anyone, other than that we can not compete with the foreign countries. Germany pays the glazier, that is the man who cuts and makes the windows, 14 cents per hour, as against our 80 cents in the United States. In many of the cities the rate is \$1 per hour instead of 80 cents. And what applies to this rate for these workmen, approximately speaking, applies to the other mechanics, whether he be a flesh, drapery, or ornamental painter. It is not a question of quality at all. It is a question of price. And as the German and Austrian prices for this so-called art work are so low, wonder it is that the Episcopal churches, to say the least, in America have not patronized these establishments. The truth is, their work is so inferior, so poor, that they are loath to disfigure their churches with it.

In all sincerity we say to the Catholic Church in America that they must not for one moment think that the workmen are not vulnerable and that the church's activities will not cut a deep wound in them which will not heal. And I ask, can the church expect less, when by their activities they are depriving them of a means of livelihood for themselves and families, by sending their work abroad when they, the workmen of this country, support the churches and are ready at all times to answer to their appeals and so generously give. In solemn sincerity and conscientiousness, knowing the workmen as I do, I tell you again and again the church must not turn a deaf ear to the appeals of these men, of whom approximately 65 per cent are children of the Catholic Church.

When these men's stomachs are yawning for food and they see their families in dire distress and want, the efficacy of such arguments—that it is for the church, for religion, or to save money, or whatever else may be offered by the clergy or religious institutions—does not go far in appeasing their feelings of dissatisfaction. In short, they will not accept such arguments when they say and feel the church, which administers to their spiritual life, is not willing to help them in their civil life and welfare; that it is not willing to give to them that help, support, and assistance that will enable them to gain a livelihood. I have to say that I found the efficacy of religion to them

meaningless and shallow, and their feelings of dissatisfaction and rebellion will assert themselves and create in them a feeling akin to rancor. Truthfully speaking, the explanation or argument adduced or offered by the clergy or church is not and will not be accepted, and is no consolation to these dissatisfied, disappointed, and hungry workmen. They say and feel it is their unalienable right to ask and appeal to the pastors of the church, and they are appealing to you now with lifted hands for that succor and help which you can give—the withdrawal of your opposition to the placing of a duty on imported stained-glass windows, so that they may gain a livelihood in this industry unless it is to be wiped out. You can not for one moment, if you stop to think, but realize that the letters and telegrams sent by labor organizations from all over the country, from President Gompers as well, to Senator Penrose and members of the Finance Committee are of the greatest and most vital concern to these workingmen and, in fact, those of all the trades, and no greater calamity could befall or happen to them or their families than the successful efforts now being made by the church solely and entirely in the interests of the people they have no particular feeling for or interest in and who do not give or contribute one penny in support of the church in America.

In conclusion, we ask you, Father Burke, the National Catholic Welfare Council, ere it be discovered too late that your brief has wrought havoc in the stained-glass industry, to withdraw it and your opposition, and this without a moment's delay, before the Finance Committee acts in the matter.

The church can only expect constancy and cooperation when these people feel they are being treated with consideration and receiving a full measure of justice. The church can afford to be magnanimous in its treatment to them, and we ask, why not show it by taking the action requested and right this whole matter by withdrawing their opposition and antagonism to having a duty placed on the importation of stained-glass windows that will permit of equal competition with the European countries, and to manifest this either by indisputable declarations to that effect in a note addressed to the chairman of the Finance Committee of the Senate, or perhaps embraced in a reply to this communication or brief which I am addressing to you, so that I could take the matter up with said committee.

I need not attempt nor do I desire to be presumptuous to at all suggest the language of such a letter, but I feel it will not be difficult in the slightest degree for you to either write the chairman of the Finance Committee, or in a communication to me when you have read the evidence you have asked for, and which I have presented to you in such an exhaustive manner, and which you have so emphatically declared you desired if it could be produced, to refute or convince you to the contrary of the idea you have formed and which is contained in your statement.

I shall be in Washington for a week or 10 days longer and would extremely appreciate some line from you indicating your compliance with our request, some word of information that you have taken the action desired by addressing a communication to the Finance Committee, whom I expect may take this matter up for consideration most any day. There is no time to lose in sending such a communication to the Finance Committee.

Thanking you in behalf of the workmen of the organizations I represent, and wishing that I may soon hear of your recovery from your long illness, and with appreciation for your attention and kindly consideration of this vital matter, I am,

Most respectfully,

WALTER WEST.

DECORATIVE GLASS WORKERS' PROTECTIVE ASSOCIATION,
Washington, D. C., December 10, 1921.

REV. JOHN J. BURKE, C. S. P.,
General Secretary National Catholic Welfare Council,
Washington, D. C.

REVEREND SIR: In my brief sent you under recent date I referred on page 20 thereof to a memorial window for one of our American boys killed in France in the late war, stating that the window had been made by a German firm. I cited I believed that in the hearings on the proposed new tariff bill that one of our manufacturers appearing before the Ways and Means Committee had stated the fact, or was asked by one of the members of said committee if it was a fact that a window had been made in Germany as memorial to one of our boys killed in France, and he stated it was.

The same question was asked by the chairman of the Finance Committee of the Senate now holding hearings on the new tariff bill, and the same answer was made by the manufacturer in question. This statement, of course, is fully correct, but to satisfy myself I wanted to procure and have more direct substantiation of the state-

ment, and a day or two ago I received the information desired. It comes from Messrs. G. C. Riordan & Co., Cincinnati, Ohio, under date of September 14, 1921, and in said letter states "we are sending you the information relative to the window in question. It was installed in St. Bernard Church, Dayton, Ky., a near-by town, two or three weeks ago; the pastor's name is Griesenkamp; the window was made in Munich, costing \$1,000. It is in memory of Robert H. McDonough, who was killed in France; the window is a gift to the church from his mother, Sophia McDonough."

Under date of an earlier letter, reference is made to the deplorable conditions in our American manufacturing localities, and cites as his opinion that they are harder than any place he knows of on account of the fact of windows being installed in the locality made in Germany.

I can quite understand this, as Mr. Merkel (Zettler's agent) is, I believe, or was formerly a Cincinnati man, and represented or managed the Beniger Bros. Catholic furnishing store there, and knowing practically all the priests or very many of them around and about that locality, mostly all of whom are Germans. He would have only, practically speaking, to hold out his hand and take the order together with the money; anything to aid the fatherland.

I am inclosing herewith a copy of dispatch printed in the New York Times under date of November 10, 1921, and my feeling is when we Americans stop to consider the awful crimes and deeds and this awful war, committed and brought about by the German nation and its people, then we may well feel as the people feel in France, and of which reference is made in this dispatch in the New York Times, irrespective of the merits, no matter how great, of the commodity coming from Germany may be.

Most respectfully,

WALTER WEST.

[Copy of dispatch printed in the New York Times, Nov. 10, 1921.]

THEN THEY SENT IT BACK—FRENCH VILLAGERS FIND A FAMILIAR PHRASE ON WAR DEAD MONUMENT.

PARIS, November 7.

At the village of Varageville, in the Department of Meurthe et Moselle, the inhabitants planned some time ago to erect a monument to the memory of their war dead. They raised the money for this pious object, and they appointed a committee to make the choice of a monument. In turn, that committee placed an order with a sculptor of Nancy, who had submitted what seemed to them the most fitting and beautiful design.

The monument, which was to be erected in the center of the village, arrived yesterday, and the members of the committee went to examine it. One of their number was more curious than the rest, and not content to merely praise its esthetic qualities, he took the trouble to examine some of the words that were carved near the base. Two minutes later the committee unanimously decided to reject the monument and send it back to where it came from, for the words which were so obscurely cut in the stone were "Made in Germany."

DECORATIVE GLASS WORKERS' PROTECTIVE ASSOCIATION,
September 15, 1913.

HON. F. M. SIMMONS,
Chairman Finance Committee, Washington, D. C.

DEAR SIR: We are appealing to you in the name of 10,000 or more people engaged in the stained-glass industry in the United States not to allow Senator Williams's amendment to paragraph 657, admitting stained-glass windows imported for churches, to be incorporated in the final passage of the Underwood-Simmons bill now before the Senate.

Senator Williams may have contemplated that by his amendment he was giving to the stained-glass industry some protection in the matter of the importation of stained-glass windows, and that paragraph 97, which places a duty of 30 per cent thereon, would be operative in all instances save that of the importation of stained-glass windows for churches. Senator Williams has no doubt overlooked the fact that there are no stained-glass windows imported into the United States except for churches; hence the industry would absolutely be divested of any protection by the Government against the foreign manufacturer.

Coupled with the proposed one-third reduction of the present duty of 45 per cent, we are made to suffer by the low foreign market values placed on the commodity and upon which a duty is only paid.

It is an easy matter for foreign houses, through their representatives who appeared before the Ways and Means Committee, to start a hue and cry about taxing the church and to flood the various committees having to do with work in connection with these two paragraphs with stereotyped letters which are used most effectively in securing orders for stained-glass windows in this country, which means the impoverishment of our own workmen engaged in this industry.

Do you mean to tell us you intend to legislate in the interest of the foreign manufacturers and to our destruction; that you are going to take our means of livelihood away from us; that we must give up the industry we have followed for years, which provides bread for ourselves and family? Are you with one stroke going to wipe out this industry in the United States by the adoption of the Williams amendment and the passage of paragraph 657 as it now stands, which is legislation wholly in the interest of the foreign manufacturer, and which places the importation of stained-glass windows on the free list.

In the name of all that is sacred and just, we say we have a right to expect and receive your every protection and consideration in a matter in which we are so vitally concerned. You should not and must not ignore our interest by turning a deaf ear to our pleas, in asking for conscientious and equitable legislation. We ask, What are we to do to gain a livelihood if you wipe out this industry?

The adoption of Senator Williams's amendment makes paragraph 97 an ignominious parody so far as bestowing to the industry any protection.

We most emphatically demand for ourselves and families the reenactment of the present law, with the possible adoption of the proposed change of duty in paragraph 97 from 45 per cent to that of 30 per cent.

Respectfully submitted.

WILLIAM J. REYNOLDS, *Corresponding Secretary.*

(Representing Decorative Glass Workers' Protective Association, Local 36, and Amalgamated Glass Workers' International Association of America.)

A favorable consideration of the above petition is respectfully requested by the undersigned.

[SEAL.]

JOSEPH F. MOONEY, *Vicar General.*

DECORATIVE GLASS WORKERS' PROTECTIVE ASSOCIATION,
New York, September 15, 1913.

Hon. F. McL. SIMMONS,

Chairman Finance Committee, Washington, D. C.

SIR: In reference to the indorsement by the vicar general the Right Rev. Monsignor Joseph F. Mooney, protonotary apostolic, will say, he represents in his official capacity, and after His Eminence Cardinal Farley, the second highest dignitary of the Catholic Archdiocese of New York. He has under his administration no less than 1,017 priests and 1,219,920 Catholics, and I believe his indorsement of letter to the conference committee should be given every consideration.

Needless, perhaps, to say that this diocese which Monsignor Mooney presides over is the largest and most prominent in the country: this also we believe should be taken into consideration.

Monsignor Mooney is the senior vicar general, and in the absence of His Eminence Cardinal Farley he is supreme. I feel confident in saying that had His Eminence Cardinal Farley been at home, he would most assuredly also have signed or indorsed this letter. Our committee met the Right Rev. Monsignor Michael Lavelle, vicar general, and with Monsignor Edwards, is second in rank to that of Monsignor Mooney, and together with Monsignor Mooney went over the merits of our case, as they deemed the 30 per cent ad valorem duty was not a prohibitive rate, they were glad to indorse said letter, believing, as they said, the industry needed at least this much protection—that the workmen following the industry in this country might not be deprived of their means of livelihood, which would be the case if stained-glass windows were put on the free list.

Monsignors Mooney and Lavelle suggested their taking the matter up with Senator O'Gorman, but we felt the time was too short to permit bringing the matter before the conference committee through such a channel in as clear and comprehensive manner as a letter indorsed by Monsignor Mooney.

Again we ask for the reenactment of the present law with the possible reduction of duty from 45 to 30 per cent ad valorem. We feel that the conference committee can well afford to take this view of the question, inasmuch as the rate is practically what the foreign houses are asking for. You will thus give the industry some protection, instead of destroying it.

Yours, respectfully,

WALTER WEST.

WASHINGTON, D. C., September 22, 1913.

CONFERENCE COMMITTEE,
United States Senate, Washington, D. C.

SIR: As there may prevail an impression with the conference committee that there is a large or material amount of stained glass imported other than for churches, and that the 30 per cent duty, paragraph 97, will permit or establish competitive conditions, might I not suggest that the United States appraisers, port of New York, through which the largest amount of stained glass passes, be wired so that your esteemed committee might have this valuable information first hand. I believe it will be found that the amount is infinitesimal and not more than 5 per cent of the gross amount imported.

The fiscal year ending June 30, 1912, showed an importation of \$267,000. Not exceeding 5 per cent of this amount was for other than church purposes. These importations are largely on the increase; a conservative estimate of the importation for 1913 will amount to at least \$350,000. By placing a duty of 30 per cent on stained-glass windows instead of placing them on the free list, means a saving of revenue to the Government of from \$90,000 to \$100,000 and imposes no burden on those donating these windows; but does mean the keeping in employment a large number of American workmen.

To be concise, we are not looking or asking for protection. We are imploring you only to grant our industry competitive conditions, which may in time be the case if the 30 per cent duty, paragraph 97, and the word "excepting" be inserted instead of the word "including," in paragraph 657.

May I also call your attention to Archbishop Ireland's letter to the writer, transmitted to Chairman Simmons of your committee.

Very respectfully,

WALTER WEST.

BUFFALO, N. Y., February 10, 1921.

MY DEAR SIR: I have your letter of February 4. I remember with pleasure our meeting and conversation on the train. Unfortunately, I know very little with reference to the matter you speak of, though I am dead opposed to the admission of any articles free of duty because consigned to a church or religious order. Churches and religious orders should not live on special privileges, but meet the requirements of the law as we all should. I would be very willing to join any company of men in petitioning Congress or any committee of Congress in this sense. I fear that my personal letter would be of very little value.

WILLIAM BURT.

ST. PAUL COUNCIL NO. 397, KNIGHTS OF COLUMBUS,
St. Paul, Minn., February 9, 1921.

DEAR SIR: Having spent two years at Rome in postgraduate work and traveled in most of the countries of Europe, I took occasion to study quite completely the economic problems I met in my sojourn abroad, the vast difference between the conditions of living, hours of employ, and wages for labor in European countries and those maintaining in the United States at that time, years of 1911, 1912, and 1913, convinced me that a tariff was absolutely necessary to protect American labor from what in effect would be starvation wages and the untold ills that would follow.

Since the war a cursory study of economic problems shows the pitiable plight of labor abroad and how impossible it would be for us to compete with European labor, particularly in Germany and Austria. To allow manufactured products to enter our country free of duty will be suicide to many of our industries, and perhaps chaos to our whole economic structure. We must protect the American workman, for in the last analysis he is the backbone of America and America's free institutions, by a tariff equal to the difference between the cost of labor abroad and the cost of labor at home.

I therefore heartily indorse movements of this kind which tend to maintain the standard of living to which the American workmen are accustomed and entitled.

H. R. JORDAN,
Pastor of St. Pius V Church, Cannon Falls, Minn.

PROTESTANT EPISCOPAL CHURCH,
New York, February 9, 1921.

MY DEAR MR. HEINIGKE: After carefully reflecting upon the contents of your letter to Bishop Brent, and considering my own position, I am sorry to say that I do

not think that it would be consistent with my office to make any special protest by writing to the Committee on Ways and Means, insisting upon a high tariff upon stained and painted glass windows.

Individually I have sincere sympathy with the attitude of American manufacturers, but I do not think it is my business to be trying to dictate to Congress the terms of their tariff regulations.

Please pardon me if I seem to have failed to satisfy you, and try to understand my position.

THOS. F. GAILOR, *President of Council.*

LETTERS RELATIVE TO AMERICAN WINDOWS.

St. Hedwig's Church, Detroit, Mich., to Daprato Statuary Co.: I wish to congratulate you and your studio on the beautiful windows that you have furnished for our church. Everyone admires their rich blended colors and artistic finish. (Very Rev. Eustace Bartoszewicz, rector.)

Church of the Holy Spirit, New York City: Permit me to express my keen appreciation of the superb artistic beauty of the complete set of stained-glass windows which you have just placed in the church. No praise can be too great for your wonderfully beautiful work. (Rev. John D. Roach, pastor.)

St. Gabriel's Church, Chicago, Ill.: Your stained-glass windows in their glorious colorings surpass written description. They are everything you claimed, real art creations of rare and delicate workmanship. (Rev. T. M. Burke, D. D., pastor.)

St. Mary's Church, South Amboy, N. J.: Your windows have won universal approbation, including the Right Rev. Bishop, the clergy present at the dedication, the donors, and my parishioners. You have every reason to be proud of these windows; they are works of art. (Rev. Edw. C. Griffin, D. D., M. R., pastor.)

St. Mary of the Angels Church, Olean, N. Y.: I wish to express not only my personal satisfaction with your work but also the continued admiration of all who see the windows and declare them the most beautiful they have seen. (Rev. E. J. Rengel, pastor.)

Church of Our Lady of Mount Carmel, Mount Carmel, Pa.: The windows are giving my people great satisfaction. They are real works of art. (Very Rev. A. Meuwese, pastor.)

St. Charles Church, Quebec, Canada: The very rich stained-glass windows you have just installed are certainly a remarkable example of the artistic work produced by your studios. They reflect the greatest credit to your firm. (Rev. Father Maurice, O. M. Cap.)

St. Patrick's Church, Jersey City, N. J.: I write to express my entire satisfaction with the window work done by you in this church. The excellent designs, exquisite color scheme, and artistic workmanship can not be surpassed. (Rev. Edward Kelly, pastor.)

St. Anthony's All Souls Church, Florence, S. C.: Please accept our appreciation for the beautiful windows just erected in our church. They exceed expectations and bespeak honor and merit to your firm for the unusual quality of your work. (Rev. Charles Dubois Wood, rector.)

Church of the Sacred Heart, New York City: The eight stained-glass windows have been installed and wish to congratulate you on the superb workmanship and artistic excellence displayed in your work. (Rev. J. J. Lennon, Pastor.)

PROPAGANDA LETTERS.

JANUARY 22, 1921.

MY DEAR BISHOP: May I ask you to write to the Ways and Means Committee of Congress along the lines suggested in the inclosed copy of letter, if you think the matter warrants such action?

Besides the arguments advanced by Mr. Merkel, you will observe that I am personally interested. We contemplate installing 56 windows in the Cathedral of St. Helena. The duty, as you can very well imagine, would add very materially to the cost of our windows. I would therefore regard your action as a special favor.

Thanking you for your kind consideration, I am,

ROYAL BAVARIAN ART INSTITUTE FOR STAINED GLASS,
Chicago, Ill., January 18, 1921.

RIGHT REVEREND DEAR BISHOP: The American manufacturers of stained-glass windows are very active before the Ways and Means Committee of Congress to have the clause abolished in tariff laws whereby stained-glass windows can be imported for churches and institutions free of duty, as works of art, permanent property of the churches.

Unless counter agitation is undertaken there is grave danger that Congress will again add the duty to our works of art, since protection and higher revenues have many friends among the Members of that body.

Petitions to Congressmen and the Ways and Means Committee have brought the desired results seven years ago, when the matter was taken up by the Catholic hierarchy. The importers can do nothing, as they are looked upon as a foreign element desiring to protect their own interest, whereas it is the churches only who are benefited by the free import, because if a duty is levied, the donors of windows will pay the same, and not the importer, and prices of windows would increase in harmony.

Since you are now personally interested in the matter, may I not suggest that you send a circular letter to all the bishops in the United States, asking them to write to the Ways and Means Committee, if this can be done before February 10, when the hearings cease, or later to their representatives in the Senate and House, urging the free importation of stained-glass windows, works of art, carried out in real antique glass. It is a well-known fact among Catholic priests and all lovers of art that the beautiful and brilliant windows made in Europe can not be reproduced in this country. The American manufacturers of stained-glass windows claim an output of \$6,000,000 or \$7,000,000 per year, while the importations were never over \$200,000 annually, hence comparatively small from the standpoint of foreign competition, as well as to the revenue from duty, if it should be added. In case you do anything in this regard, please be kind enough to let me know the results, so that I can advise my representative in Washington.

LOUIS MERKEL.

LIST OF CHURCHES SUPPLIED BY FOREIGN HOUSES.

This list was hurriedly collected to file with brief presented to the Finance Committee of the Senate April 19, 1913, and is in no wise complete, but from it can be gained some idea of the vast amount of work that goes abroad:

St. James, Church of the Ascension, St. Joseph's, Sisters of St. Dominic Chapel, St. Francis de Sales, St. Joseph, Holy Name, St. Nicholas, Church of the Immaculate Conception, Convent of the Ladies of Sacred Heart, Chapel of the Sisters of Bon Secours, St. Thomas, New York City.

Lady of Good Council, St. Patrick's, St. Ambrose, St. Charles Borromeo, St. Mary Hospital Chapel, Brooklyn.

St. Gabriel's, New Rochelle, N. Y.

St. Joseph's, Yonkers, N. Y.

St. Louis, St. Michael's, St. Ann's, St. Mary's Chapel, Church of the Immaculate Conception, Buffalo, N. Y.

St. John the Evangelist, Fishkill, N. Y.

St. John the Baptist, Elmira, N. Y.

St. Bernard's, Saranac Lake, N. Y.

St. Vincent's Orphan Asylum, Syracuse, N. Y.

Convent of the Sisters of St. Dominic, Blauveltville, N. Y.

Convent of the Ladies of the Sacred Heart, Kenwood, N. Y.

St. Agnes, Lake Placid, N. Y.

St. Joseph's Church, Bound Brook, N. J.

Church of Our Lady of Grace, Avondale, N. J.

St. Joseph's, St. Francis Chapel, Trenton, N. J.

Immaculate Conception, Camden, N. J.

St. Ann, St. Anthony of Padua, Church of the Annunciation, St. Bonaventura's, St. Charles Borromeo, St. Clement's, St. Edward's Church of the Epiphany, St. Francis Xavier, St. Gabriel, St. Gregory, St. Joachim, St. John the Evangelist, St. Ludwig's, St. Monica, Our Lady of Lourdes, St. Thomas Aquinas, St. Leo, St. Stephen's Church, Our Lady of the Rosary, St. Boniface, St. Peter's, St. Peter Clavier, St. Joseph Hospital Chapel, Philadelphia, Pa.

Catholic University, Washington, D. C.

Chapel of Franciscan Sisters, St. Stanislaus, St. Joseph's, Pittsburgh, Pa.

St. Boniface, Williamsport, Pa.

St. Anthony Chapel, Allagheny, Pa.

St. Joseph Church, Lancaster, Pa.
 St. Patrick's, Scranton, Pa.
 Chapel Sisters of Charity, Greensburg, Pa.
 St. Peters, Columbia, Pa.
 St. Thomas, Camp Grounds, Pa.
 Our Lady of Perpetual Help, Our Lady of Victory, Boston, Mass.
 Church of the Annunciation, Cambridgeport, Mass.
 St. Mary's, Dedham, Mass.
 Holy Angels, Upton, Mass.
 St. Mary's, Pawtucket, R. I.
 St. Charles, Woonsocket, R. I.
 St. Edward's Providence, R. I.
 St. Michael, Baltimore, Md.
 Immaculate Conception, Cleveland, Ohio.
 St. Paul's, St. Lawrence, Cincinnati, Ohio.
 Convent Sisters of the Most Precious Blood, Mariastein, Ohio.
 St. Francis Assisi, Cleveland, Ohio.
 St. Francis Convent, Oldenburg, Ind.
 Cathedral of Fort Wayne, Fort Wayne, Ind.
 St. Anthony, Evansville, Ind.
 St. Aloysius, Sisters of the Notre Dame, Covington, Ky.
 St. Boniface, St. Martin's, St. Vincent's, Louisville, Ky.
 Church of the Jesu, Milwaukee, Wis.
 Chapel of Franciscan Sisters, La Crosse, Wis.
 Cathedral, Belleville, Ill.
 St. Joseph's, St. Agatha, St. Mary's Hospital Chapel, St. Paul's, St. Elizabeth's,
 St. Martin's, St. Stanislaus, St. Hedwig's, Chicago, Ill.
 Church of the Sacred Heart, Kansas City, Mo.
 Church of the Holy Redeemer, Webster Grove, Mo.
 Rock Church, Meryville Convent, St. Louis, Mo.
 St. Michael's, Ursuline Convent, St. Alphonsus, St. Mary's, St. Teresa, New
 Orleans, La.
 St. Cecilia Academy, Nashville, Tenn.
 Cathedral, Salt Lake City, Utah.
 Church of the Annunciation, Denver, Colo.
 Church of Seven Dolours, Walsenburg, Colo.
 St. Vincent's, Los Angeles, Calif.
 St. Joseph, Marysville, Calif.
 Church of the Assumption, Tornales, Calif.
 Holy Cross, San Francisco, Calif.
 St. Mary's, Austin, Tex.
 Ursuline Convent Chapel, Dallas, Tex.
 Cathedral, St. Mary's, San Antonio, Tex.

**STATEMENT OF EDWARD F. McGRADY, LEGISLATIVE AGENT OF
THE AMERICAN FEDERATION OF LABOR, WASHINGTON, D. C.**

Mr. McGRADY. I want to say that the American Federation of Labor hopes that your committee will grant the petition of the Decorative Art Glass Workers of the United States, and that you will place a duty upon the importation of stained art glass that will be high enough to protect the American worker from cheap European labor and broken-down foreign exchange.

Importers from Austria and Germany are able to offer windows in America for \$3.26 per square foot that cost the American manufacturer \$12.72 per square foot to produce. The difference in this price is so great that we believe no tariff will adequately protect the American worker short of the American-valuation plan.

My attention has been called to the fact that the Rev. John J. Burke, general secretary of the National Catholic Welfare Council, submitted a brief in favor of continuation of paragraph 655 of the tariff act of 1913, which provides that ornamental stained-glass windows, works of art, etc., when donated, may enter this country

free of duty. In that brief he stated that if the National Catholic Welfare Council or the hierarchy of the Catholic Church of the United States were convinced that an American worker would suffer by the free importation of stained-glass windows they would not seek to combat petitions presented to your committee in favor of an adequate tariff.

In reply to this I want to say that the American worker in this industry is now pleading to this committee to protect them against the cheap labor of Europe. Already foreign salesmen are honeycombing this country, booking orders for art glass windows. In June, 1921, four small concerns in Germany reported that they had secured \$400,000 worth of orders on stained-glass windows in the United States, and at that particular time 15 of the largest concerns in the United States only had \$105,000 worth of orders. If something is not done as soon as possible, our American workers will be driven out of this trade and will have to seek other means of making a livelihood.

Senator McLEAN. You want the same as Mr. West?

Mr. McGRADY. Yes, Senator; we want just what they want. I can not believe that the Catholic Church wants to see imported into this country hundreds of thousands of dollars worth of church windows while the American wage earner is idle and his family is in want.

I sincerely trust that this committee will vote to give us the only adequate relief that we can now see—that is, an import duty based on American valuation.

Senator JONES. I call attention to this point in the record as to the fact that glass windows, stained or painted and parts thereof, and all mirrors not exceeding in size 144 square inches, with or without frames or cases, importations into the United States are as follows: In 1907, \$232,000; 1908, \$195,000; 1909, \$178,000, and in 1909 the duty was remitted; and in 1910, \$193,000; 1911, \$395,000; in 1912, \$266,000; 1913, \$389,000; 1914, \$128,000 at the rate of 45 per cent and \$290,000 at the rate of 30 per cent.

Senator McCUMBER. It increased very rapidly until the war broke out.

STATEMENT OF OTTO W. HEINIGKE, CHAIRMAN TARIFF COMMITTEE NATIONAL ORNAMENTAL GLASS MANUFACTURERS' ASSOCIATION OF THE UNITED STATES AND CANADA, NEW YORK, N. Y.

Mr. HEINIGKE. I have a brief calling attention to the salient parts of the technical record of statistics. But I do wish to say a word about one phase of the question which has been introduced by the importers. We would like to have the ruling on this subject made simply on the basis of mathematics; in other words, a scientific decision on it. But in the making of past tariff bills the sympathy of Congress has been enlisted for the church by the importers.

In their testimony on the present bill they have submitted briefs.

Senator SMOOT. Have you a brief?

Mr. HEINIGKE. Yes, sir; the technical part of it.

Senator SMOOT. You are filing that?

Mr. HEINIGKE. I am filing a brief. But I do want to call attention to the effect this will have on the kind of men who are ready to devote their lives to this business.

Senator JONES. What is the amount of this business in the United States; in other words, using the word "consumption" not in the general sense, what is the consumption of the industry in the United States?

Mr. HEINIGKE. It is hard to say. So many influences change it from year to year; for instance, during the war the church withheld almost all orders.

Senator JONES. Take it prior to the war.

Mr. HEINIGKE. Prior to the war those same influences worked on it. One year it would be, say, \$500,000 total, including the importations and the manufactures, and another year it would go down as low as \$200,000.

Senator JONES. What is it that determines the price of the product?

Mr. HEINIGKE. The labor cost almost entirely, in the present instance, as our records point out.

Senator JONES. You are using high-class artists?

Mr. HEINIGKE. Yes, sir.

Senator JONES. How do you measure the price of their labor?

Mr. HEINIGKE. Their labor is thrown into overhead, usually; for instance, in my own firm my partner and I are the artists. We occasionally have young men come in to help us, but they do not see any future in it. What is left after the importers take the work that they want out of the country does not suffice to make a good living for any number of high-class artists.

Senator JONES. You say that the main cost is what?

Mr. HEINIGKE. Labor is 70 per cent of our costs. That is all covered in our previous records.

Senator JONES. What kind of labor is that?

Mr. HEINIGKE. Mechanics. We count the man who actually paints on the glass a mechanic; the man who makes the original sketch design and the cartoon is the artist. In many instances that artist who makes the cartoon will continue and paint right on the glass; and that raises the product to the level of a work of art, just as a portrait.

Senator JONES. Have you any fixed standard of prices?

Mr. HEINIGKE. No, sir.

Senator JONES. How, then, under the American-valuation plan, as asked by the Senator from Indiana, could you ascertain the amount of the duty on the imported article?

Mr. HEINIGKE. At a certain time you would find the costs of all the houses which compete with the imported article, ranging very closely side by side, and you could take their contracts and reduce it to a square-foot basis, and you would find that the value of the product of those several houses would range very closely together.

We have, however, asked that in our case, while we favor the American valuation over the foreign valuation, still, because our contract price always includes the cost of erection, and that holds true also of the imported window—they always include the cost of erection—the wording of the American-valuation clause would make it difficult for us to segregate from the selling price of that window the part that was allowed for erection and transportation.

The cost of erection, of course, varies as distance from the factory, but that is a small item.

Senator JONES. Does not that cost also vary with some sort of a relation to the reputation of the artist who prepares the sketch or cartoon, as you call it?

Mr. HEINIGKE. Not the cost of erection. In the case of our own firm the artist's pay is in the net profits of the concern at the end of the year, if there are any.

Senator JONES. In such case, would you compare your services with the services of the foreign artist to whom the previous witness has referred as inferior?

Mr. HEINIGKE. No, sir; I certainly should not.

Senator JONES. Then on what basis would you fix a duty on the imported articles; how would you arrive at the amount of it?

Mr. HEINIGKE. Those of us who compete with the foreign window are willing to enter the market on a square-foot basis, the same value as the imported article, and if you will give us enough duty to put us on an equal basis with them we will fight out the rest of it.

Senator JONES. But this bill does not propose to do that. This bill does not propose to establish a square-foot basis.

Mr. HEINIGKE. No, sir. It need not be on the square-foot basis. But that is how the cost is always figured out.

Senator JONES. I have heard it stated here that one window sold at \$16,000. Now, would you put that on a square-foot basis with other stained-glass windows?

Mr. HEINIGKE. The man who got \$16,000 for that window would not have to compete with the German product.

Senator JONES. This was a German product, or some foreign product, you said Mrs. Whitelaw Reid declined to pay for?

Mr. HEINIGKE. That was an English window, sir.

Senator JONES. How would you arrive at a basis for levying a duty on that window that is sold abroad at \$16,000?

Mr. HEINIGKE. I do not desire to take the time for it, but I can explain why that window was bought for \$16,000. The trustees of the Cathedral of St. John the Divine, when the cathedral was built, arbitrarily made a law which prohibited the use of any American window in that cathedral. That cut out the American competition. That law stands to-day, although the need for it has entirely disappeared. We have progressed so much since that law was made that there is no need of that provision.

That \$16,000 window referred to was a large window and one intended to have artistic merits. Such windows as those do not enter into competition with the commercial or German window. It is against the low-priced commercial window of Germany that we seek protection, windows costing from \$1.50 per foot to \$4 per foot. These are the windows ordinarily imported.

Senator SMOOT. Mr. Heinigke, you testified before that you wanted 63 per cent ad valorem. You have not changed your mind?

Mr. HEINIGKE. No, sir; the differences between the cost of the imported windows as they are quoted to us—the prices that the German manufacturers quote to us and offer to sell us windows for—and the cost in our own factories is \$9.46 per square foot. Because we can not very well eliminate from those contracts the cost of erection,

we would like to have that on a specific basis rather than the ad valorem basis.

Senator McCUMBER. I think it is pretty well covered since you testified before.

Mr. HEINICKE. I was very anxious to leave the figures out of this testimony. I had it all covered. There is one point I have not covered, because I have never spoken on the free list to you, and that is the fact that the plea is made in the name of the church, and we do not believe that it is the church that is pleading against our cause.

We believe that the writing of a tariff law should be a matter of mathematics, and we have given complete figures in our written statements, which are being tested by the United States Tariff Commission in their visits to our shops. The importers have, however, injected into their testimony the element of sympathy for the church. This has been so potent in former contests that we feel that we must answer it, in justice to the church and ourselves.

Certain officers of the church are unquestionably opposed to a tariff on windows. The bishop of Helena, Mont., in order to save the duty on a series of 56 windows for his wealthy cathedral, has enlisted the support of several other bishops in asking Congress to sacrifice the wages of thousands of operatives for the life of the law now being written.

Father Griefenkamp, rector of St. Bernard's Church, Dayton, Ky., has purchased a window in memory of Robert H. MacDonough, an American soldier killed in the Argonne, from a manufacturer in Munich, Germany.

We feel satisfied that this is not the policy of the revered body, which is the church; for the brief submitted by the official representatives of the Catholic Church, the National Catholic Welfare Council, states that if they were convinced that the American workmen or manufacturers would be injured thereby they would not oppose a tariff. We have submitted figures of comparative costs and unemployment to them and believe, when their secretary, the Rev. John J. Burke, is able to return to his duties after a prolonged illness, the council will notify you of its withdrawal of its opposition.

As to the quality of the American commercial windows, it is neither better nor poorer than the imported commercial windows.

On page 1456 of the Ways and Means Committee hearings 10 letters of indorsement appear. We have 8 more which are at your disposal and can secure unlimited numbers.

In contrast with the attitude of the bishop of Helena, Mont., and Father Griefenkamp, consider the cases of many men like the talented young artist who left our studio and led the remnant of his shattered company three days of the battle of the Argonne with a bullet hole through his arm. He returned to us at the end of the war, but, after several months, realizing that we had not sufficient work to keep him busy, voluntarily took up what to him was drudgery, the making of drawings for street-car advertisements.

In connection with the Father Griefenkamp episode, it is interesting to note that in a similar instance, when the memorial committee of the village of Varageville, France, discovered that the monument they had purchased had been made by Germans, they sent it back and declined to pay for it.

Representative Young, of North Dakota, who moved the amendment to paragraph 1688, adding the words "including stained and painted window glass and stained and painted glass windows when imported by houses of worship," hearing that we had practically no other market for our product, stated that he had no idea of that fact or he would not have offered the amendment.

Senator McCUMBER. I do not really think that will have any bearing on the subject. All the committee wants to know is what the competition is, whether we can compete, etc., and what the rate of duty, if any, ought to be, not whether indorsed by this person or that person, and I wish you would just hold to that point and let us get through.

Mr. HEINIGKE. If you will promise to let those points have weight and not the interest which has been brought into it by the other side and which is of record, I am perfectly willing to let you gentlemen decide it.

BRIEF OF OTTO W. HEINIGKE, REPRESENTING THE NATIONAL ORNAMENTAL GLASS MANUFACTURERS' ASSOCIATION OF UNITED STATES AND CANADA.

Request: Strike out from paragraph 1688 of H. R. 7456 the words "including stained or painted window glass or stained or painted glass windows when imported by houses of worship."

These words were introduced by an amendment on the floor of the House of Representatives.

As practically no windows are imported for other than church purposes, the existing wording means all windows come in free.

No Republican tariff act has ever failed to afford protection to this industry. The present bill as reported to the House of Representatives provided a 30 per cent duty on stained or painted glass windows, or parts thereof, in paragraph 230. This rate is not sufficient to protect the industry from the German competition at the present rate of exchange on the mark. Experience has taught us that importers do not love and respect the church sufficiently to induce them to sell to it at prices lower than competition forces them to, and it is better that this part of the difference accrue to the Government in this time of stress.

The language of the paragraph, as amended, subjects the entire market of this industry to the competition of the low wage scales of Germany and Austria without duty. The general method of securing windows by the churches is that wealthy members present a sum of money to be used by the church in purchasing a window or windows in memory of some deceased person or persons. Therefore all windows are technically "purchased by churches" and would come in free.

No stained or painted window imported under the 1913 law paid duty, though the wording of paragraph 655 thereof was less liberal than that proposed in the present bill as amended. The opposition to placing a duty on these windows comes from certain members of the Roman Catholic Church, who have placed orders in Germany for windows and prefer to sacrifice an entire industry rather than subject the wealthy donors of the windows to the paying of the duty. This was proved by copies of the letters submitted in the hearings when the bill was being written.

As opposed to the interests of these wealthy churchmen, we have those of the devoted artist-employers and the struggling, highly skilled craftsmen who design and paint the windows. They are placed in equal competition with the European workers, on the basis of the following table of comparative wage scales:

	Wages per hour in—	
	Germany.	United States.
Flesh painter.....	\$0.20	\$1.50
Drapery painter.....	.16	1.00
Ornament painter.....	.14	.80
Glazier.....	.14	.80

The men who have become so proficient as to be classed as flesh or drapery painters are usually men of from 45 to 65 years of age, who entered the craft as boys and for years devoted their evenings to work in night art schools and drawing classes, and yet they receive less than the plumber and stone mason and bricklayer. If Congress persists in humoring the wealthy donors, then these men or, at least 75 per cent of them will find it necessary to learn a new trade or seek employment at 20 cents per hour in the foreign country where the windows will be made.

Comparing these wage scales, it is not surprising that a window which can be made in Germany and laid down in New York for \$3.26 per square foot, costs the American manufacturer \$12.72 per square foot to produce—especially when it is added that 70 per cent of the total production cost, including overhead, is hand labor and that no machine can be used in any part of the work and that 75 per cent of the raw material entering into the American window must be imported from England or Germany and pay duty at the rate of not less than 35 per cent. (Par. 219.)

If you believe these statements, then take these churchmen at their word when they state in their brief that if they "were convinced that American manufacturers or American workmen would suffer by the free importation of such articles they would not seek to combat the petitions presented to your committee." Save them from discovering too late that they have advocated an action which will have thrown out of employment hundreds of their own supporting members. They invite you to do so in the last clause of the same paragraph, which reads, "unless it should be found by your committee that the claims of American manufacturers are well founded." That, I feel sure, is the real attitude of the inspired body which is the church, and I believe that those who have acted contrary to that Christian spirit do not represent her but are using her prestige to assist them to attain their own selfish aims.

SUPPLEMENTAL BRIEF.

In direct answer to the brief heretofore filed before the Ways and Means Committee by the National Catholic Welfare Council, an examination of the letters hereto attached will clearly show that in all their statements they do not speak for all the church but only a part thereof. This is further emphasized by the letters filed in the Ways and Means hearings, page 4156, and the letter of Archbishop Mundelein filed with your committee.

The statement that this work is not labor but is art is fallacious, for it is considered labor by the employer, by the employee, and by everyone except those who desire to impoverish these men while flattering them by calling them artists.

It has clearly been shown by men experienced in the trade that the artistic skill is in America to do the work, and high-grade windows and good commercial windows can be produced. This the council seems to doubt, yet the hearings before the Ways and Means Committee contain numerous letters from Catholic clergymen showing that this has been accomplished. And attached hereto are additional letters of which the Welfare Council have had copies. The proof was in their own hands had they sought it.

The church in the Ways and Means brief speaks of art windows. The window we are interested in is not the art window but the commercial stained-glass window.

There are two distinct classes of stained-glass windows. In one the result is a work of art, in which the artist who designs the window actually supervises the selection of the pieces of glass and himself does a greater or less amount of the actual work of painting and staining the glass. Such windows command prices of from \$50 to \$150 per square foot, according to the reputation of the artist, and, as the number produced in all countries together is negligible and as they are purchased only by very wealthy individuals, there is no reason why they should be considered to enter into the question of tariff. Such windows are usually produced in a studio or shop consisting of one room.

In the other class, which includes probably 99 per cent of all the windows made in the world, the result is a commercial product. The original design and the full-size drawing are made by artists who rank with the designers of china table ware, wall-paper, and cast-plaster ornaments.

Subsequent processes, while all handwork, are the work of highly skilled mechanics who rank with the commercial china decorators and casters of plaster ornaments from sculptor's originals as to skill and wages. The full-sized drawings are traced and are used repeatedly, the same design appearing in many churches in the same city. The same drawing is increased or reduced in size by photographic process. As indicated by the schedule of wages, several painters are employed in painting on the same window. The most skillful paint the face, hands, and feet. Less skillful men are employed to paint the drapery, and still less skillful men and apprentices paint the ornament which surrounds the figures and fills the space between the figure and the stone frame. The factories in which such windows are produced are often five

or six story buildings covering half a block. The different parts of the window are painted in different departments, so that the flesh painter seldom sees the drapery or ornament part of the window on which he works. A series of photographs of such a factory in Germany is submitted herewith as an exhibit.

Several years ago such factories existed in this country, employing a minimum of 100 men in the making of stained-glass windows. With two exceptions, I believe they have all reduced their space to one or two rooms devoted to stained-glass work, and the balance of the space is either rented or has been turned into the making of automobile wind shields and the beveling and grinding of plate glass.

If it were possible to compete and secure the orders which are now being filled in Germany, these spaces would be reclaimed for stained glass, operatives who are either unemployed or have secured temporary employment in other trades than their own would return to the work in which they are 100 per cent efficient, and, there being no machinery required, the reestablishment would be quickly made.

The American factories which compete with the German product for the business of the church rarely, if ever, have an order for anything other than church windows, though some have been forced into the other trades by the conditions of competition under the Democratic tariff.

It has been said that the glass used by the American factories is inferior. This is false. The American manufacturer of stained and painted windows buys his glass for church windows from the same great German factories as the German window makers do. The glass is made in batches of several tons by well-known formulas. Each batch is numbered, and samples of it are sent to all the users, both at home and abroad, accompanied by price lists. The American window maker must pay a 30 per cent duty on what he buys. The best pot-metal (or antique) glass is produced in England and France, and the American window maker always prefers the best, when his contract price permits the additional expense.

If the quality of antique glass is what the church seeks, then it should discourage the use of German windows and German glass.

The mixing of colors is done by the glass manufacturers and not by the window manufacturers, and, therefore, it does not enter into this discussion.

One American glass maker has demonstrated his ability to produce pot-metal glass of a brilliance equal to if not greater than any other, but his costs are so high as compared with the foreign, and the demand at present so small, that he is prevented from increasing his products to a profitable size.

The importers' brief, printed on page 4157 of Ways and Means hearings, cites the increase in American selling prices during the war as an indication of what would be done if an equalizing tariff were placed on windows. Both wages and raw material costs increased more than 100 per cent at that time, and if the American producers receive the tariff they ask they can not raise their prices in face of the German competition, which would still exist.

We are perfectly willing to admit free of duty windows imported by houses of worship costing over \$30 per square foot. If it is art they want, we are willing to cooperate with them; if it is a market where they can buy cheap windows to the disadvantage of the American manufacturer and artisan, we are against them.

In their effort to learn what American manufacturers have been able to accomplish, the council has not communicated with any important manufacturer in America, but must have sought the information from a German importer.

They made the assertion that if they believed that free trade would affect the American industry they would not oppose tariff. All manner of proof has been presented to them by manufacturers, by labor, and by everyone interested. None but apparently that tending toward free windows has convincing force. Catholic bishops and priests have spoken as to the quality of American windows.

The church in America must necessarily live and exist on the contributions of the people, on the workingman. On their prosperity engendered by a high tariff it prospers, and it is not fair that it should enjoy this prosperity and desire to buy the laboring man's product in a free market. This is not a question of faith or morals, it is purely a question of business.

I can see no reason why the donor or purchaser of stained-glass windows should be a privileged class, why the church is justified in centering its opposition on this, while many other things they use are imported and duty paid thereon and no question raised. In order that one set of windows may come in free, the industry is to be paralyzed.

That these windows are not works of art within the contemplation of Congress has been decided by the United States Supreme Court in the case of *United States v. Perry*, 146 United States Reports, page 71, where the court classified for practical purposes works of art in four divisions, and in the fourth division they put "objects

of art which serve primarily as ornamental and incidentally a useful purpose, such as painted or stained glass windows, tapestry, paper hangings, etc.," and then said, "No special favor is extended by Congress to either of these classes except the first, which is alone recognized as belonging to the domain of high art." Apparently the supreme tribunal of the United States has adopted the same view as the laborer, manufacturer, and everyone except the importer and the influences he has been able to bring to bear.

We are willing to meet the church on the question of art windows, but not on commercial windows. We are willing to meet them on economic grounds, and have complete confidence in the justice of our claim and have no belief that this question will be decided except as outlined by a member of your committee when he said that the question to be considered is whether we are entitled to protection on our costs.

We would ask no special favors and should not be the victim of any special favor.

SACRED HEART RECTORY,
Baltimore, Md., September 2, 1921.

Messrs. JOHN MORGAN & SONS,
Mr. CHAS. C. PITTHAN.

DEAR SIR: After consulting with our father provincial and the architect, I awarded the contract for our windows in the church to the Mayer Co. Considering both firms of at least equal merit, since they were several hundred dollars lower in their estimate, I thought that they were entitled to the work.

Respectfully, yours,

HERNY J. OTTERBEIN, C. SS. R.

SACRED HEART CHURCH,
Mount Washington, Md., September 12, 1921.

Messrs. JOHN MORGAN & SONS,
New York, N. Y.

GENTLEMEN: I consider it my duty and assure you, also, of the pleasure it gives me to state, in answer to your inquiry as to whether your windows are satisfactory, that they met with our entire approval and have been praised by all who have visited our beautiful church. We consider them equally as good as the best imported windows in every respect, and I personally consider them as attractive as any I have ever seen. I wish you much success.

Very sincerely, yours,

FRANCIS E. CRAIG, *Pastor.*

BROOKLYN COLLEGE,
Brooklyn, N. Y., September 14, 1921.

Messrs. JOHN C. MORGAN & SONS,
New York City.

GENTLEMEN: Allow me to add my name to the many priests who are trying to protect our stained-glass workmen in America. The charge of inferior workmanship is a gross injustice at least to your firm. The windows that were ruined in St. Peter's—Jersey City, N. J.—were of European make. After the explosion I secured your services to supply the windows that were shattered. Not only did the new windows equal those of European make but far excelled them. I trust that this unjust assertion about American inferiority will be repudiated by all churchmen.

Rev. JAMES F. McDERMOTT, S. J.,
Former pastor St. Peter's R. C. Church, Jersey City, N. J.

ST. JEROME'S CHURCH,
New York, N. Y., September 12, 1921.

Messrs. JOHN MORGAN & SONS,
New York City.

DEAR SIR: We are more than pleased to speak of the handsome stained-glass windows put into our church five years ago by your concern, without an error, either as to design, workmanship, or artistic conception.

They are certainly most unique for coloring, etc., and equal to the best of imported windows; in fact, the best known anywhere.

Thanking you for the fine work, and with best wishes for further success, I remain,
Very truly, yours,

Rt. Rev. Msgr. GEORGE T. DONLIN.

St. ALOYSIUS'S CHURCH,
Brooklyn, N. Y., September 14, 1921.

Messrs. MORGAN & SONS,
New York City:

About four years ago your firm put stained-glass windows in our beautiful St. Aloysius's Church. I can say with all truth that they are the pride of all my parishioners, and everyone who (from near and far) came to visit our church was impressed with the beauty of the windows. Priests from all over the United States, even bishops, left with high praise of the windows. Yes; I could hardly convince quite a number of them that they were produced here in this country. Before I had our new church erected I visited nearly all the beautiful cathedrals and churches of Europe, and I came to the conclusion after having seen some of the best stained-glass windows here that we don't have to go abroad to get them. We can get the best right here in our own country. In fact, many priests, after having seen our windows, decided not to go abroad. Windows placed by your firm 29 years ago in our first church and replaced afterwards in a neighboring church are to-day as good and the figures as plain as on the day when put in first. Whenever priests would like to see the windows bring them around; I don't have to tell them anything, they speak for themselves. With my best wishes, I remain,

Very respectfully,

JOHN W. HAUPTMANN, *Pastor.*

ST. MARY'S RECTORY,
South Amboy, N. J., September 17, 1921.

JOHN F. MORGAN & SONS,
New York City.

DEAR SIR: Before installing new stained-glass windows in St. Mary's Church, South Amboy, I visited nearly all the churches in the neighborhood of New York City celebrated for their beautiful windows. Prior to making this tour I was prejudiced in favor of European windows, but when I had compared those of your firm and other domestic with the foreign products I was fully satisfied that in general the work produced by firms in the United States was not inferior to the imported productions, and in consequence gave out the contracts for the windows in St. Mary's Church to New York firms. An inspection of this work in this church has always met with the highest commendation.

Feeling that it is high time that we should encourage our American manufacturers and artists in their efforts to compete with foreigners, it gives me pleasure to add my approval of this work and best wishes for success.

EDWARD C. GRIFFIN.

ST. JOSEPH'S CHURCH,
Long Island City, N. Y., September 15, 1921.

Messrs. JOHN MORGAN & SONS,
New York City:

I wish to congratulate you on the very fine windows which your firm made for our church. The quality of glass used, the artistic design, the masterful blending of the various groups and figures, as well as the workmanship of your firm, deserve the highest commendation. I claim that the windows prepared by your firm for our church are far superior to the windows in churches made by foreign firms.

Respectfully, yours,

PETER HENN, *Pastor.*

HOLY GHOST CHURCH,
South Bethlehem, Pa., September 12, 1921.

To whom it may concern:

It gives me great pleasure to state that the stained-glass windows manufactured and placed in our church by the firm of John Morgan & Sons, of New York City, have met with our great satisfaction, and that we consider them equal, if not superior, in every respect to the best imported windows.

They are very much admired.

A. FRETZ, *Rector.*

STATEMENT OF JAMES H. RYAN, REPRESENTING NATIONAL CATHOLIC WELFARE COUNCIL, WASHINGTON, D. C.

The National Catholic Welfare Council, speaking for and on behalf of the hierarchy of the Catholic Church in the United States, respectfully requests the privilege of replying to the testimony and briefs submitted to your committee by representatives

of the National Ornamental Glass Manufacturers' Association of the United States and Canada and the Decorative Glass Workers' Association in respect to a tariff upon stained glass (paragraph 1688 of the pending tariff bill).

We respectfully renew our objection to an impost duty upon stained glass and ask that stained glass be admitted free of duty, as provided in the tariff bill as it passed the House of Representatives. We base our request upon the following reasons:

1. No stained glass windows are asked to come under this privilege unless they be of artistic merit.

2. Only if directly imported by houses of worship.

3. For the express purpose of the promotion of art amongst our people. (In this request we feel we coincide with the purposes of paragraph 1688, sponsored by the American Federation of Arts.)

4. Such art windows add greatly to a proper and decorous religious worship.

Answering the claim of those advocating a tariff that American industry is handicapped by the difference between labor costs here and abroad, we beg to inform the committee that the production of art windows can not be classified as labor in the sense the term "labor" is commonly used.

The creation of ornamental stained-glass windows for use in churches and houses of worship is the work, pure and simple, of artists rather than artisans. The difference between an art window and an ordinary painted-glass window is that an art window requires antique glass for brilliancy, little if any of which is manufactured in the United States.

An art window demands the mixing of colors directly into the glass while it is still in a molten or fluid stage. This can not be done by laborers but only by those highly skilled in such work. The drawings and designs must be made by real artists, and the greatest artistic skill is required for the imparting of the flesh tint on the faces. In so far as we have been able to learn this has not been accomplished by any American manufacturer to date. To set imported windows in place requires transportation from the port of entry, the work of carpenters, laborers, etc. In this sense only can labor be considered as having any relation to art windows.

The creation and production of real art windows can no more be called labor than can the creations of a sculptor or a portrait painter.

The effect of a duty upon imported art windows for churches and houses of worship would be to impose an unfair and unjust tax upon churches and to force them to pay an excessive price for these windows or to limit their market to domestic products inferior in quality and of little or no artistic merit. As stated in our original letter to your committee, if the National Catholic Welfare Council were convinced that the free importation of art windows would seriously hamper American industry, we would not for a moment oppose the imposition of the duty requested by the representatives of the organizations referred to in the first paragraph hereof.

We have not been convinced, however, that the industry would be injured by the continuance of art windows on the free list for the reason that the majority of our window manufacturers are not in the church-window business exclusively. They produce 90 per cent of their product for ornamental glass used in homes and public buildings other than churches and houses of worship. Their business of producing ornamental glass for homes and public institutions and for numerous small churches will not be impaired by the free importation of the finer qualities of imported art windows.

The Ornamental Glass Bulletin of the issue of February 13, 1913, volume 7, No. 1, contains an article in which it is stated that the capital invested in the manufacture of ornamental glass is \$2,500,000 and that the annual product is \$7,000,000, the men employed numbering around 5,000. There are five or six importers, the ornamental stained-glass import during the previous year being given as approximately \$200,000. Your committee can readily see that the total importations of ornamental stained-glass products is but a small part of the amount of ornamental glass used in this country during the year prior to February 13, 1913, above referred to.

In the hearings before the Senate Committee on Finance, August 22, 1921, Mr. Heinicke states that 70 per cent of the American workmen in his line are walking the streets. Upon reliable authority we are informed that all men in this industry in Chicago and elsewhere seem to be employed and that a small plant in New Orleans, La., writes on October 29, 1921, that it is impossible there to get help. Another pertinent fact is that domestic firms in this line are constantly making efforts to obtain experienced glass painters from Europe. Thus, it may be reasonably inferred that, instead of men being unable to obtain employment due to the excessive number of workers in the ornamental stained-glass industry, there is a shortage of workers which those engaged in this industry are endeavoring to supply.

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