

**BUREAU OF CUSTOMS AND A BUREAU OF PROHIBITION
IN THE DEPARTMENT OF THE TREASURY**

HEARING
BEFORE
THE COMMITTEE ON FINANCE
UNITED STATES SENATE

SIXTY-NINTH CONGRESS

SECOND SESSION

ON

H. R. 10729

**AN ACT TO CREATE A BUREAU OF CUSTOMS AND A BUREAU
OF PROHIBITION IN THE DEPARTMENT
OF THE TREASURY**

DECEMBER 16, 1926

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BUREAU OF CUSTOMS AND A BUREAU OF PROHIBITION IN THE DEPARTMENT OF THE TREASURY

THURSDAY, DECEMBER 16, 1926

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

The committee met (pursuant to call) at 10 o'clock a. m., in room 312, Senate Office Building, Senator Reed Smoot presiding.

Present: Senators Smoot (chairman), McLean, Curtis, Reed of Pennsylvania, Ernst, Wadsworth, Shortridge, Edge, Harrison, King, and George.

(The committee had under consideration H. R. 10729, which is here printed in full, as follows:)

[H. R. 10729, Sixty-ninth Congress, first session]

AN ACT To create a bureau of customs and a bureau of prohibition in the Department of the Treasury

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there shall be in the Department of the Treasury a bureau to be known as the bureau of customs, a bureau to be known as the bureau of prohibition, a commissioner of customs, and a commissioner of prohibition. The commissioner of customs shall be at the head of the bureau of customs, and the commissioner of prohibition shall be at the head of the bureau of prohibition. The commissioner of customs and the commissioner of prohibition shall be appointed by the President, by and with the advice and consent of the Senate, and each shall receive a salary at the rate of \$8,000 per annum.

Sec. 2. (a) The Secretary of the Treasury is authorized to appoint, in each of the bureaus established in section 1, one assistant commissioner, two deputy commissioners, one chief clerk, and such attorneys and other officers and employees as he may deem necessary.

(b) The Secretary of the Treasury is authorized to designate an officer of the bureau of customs to act as commissioner of customs, during the absence or disability of the commissioner of customs, or in the event that there is no commissioner of customs; and to designate an officer of the bureau of prohibition to act as commissioner of prohibition during the absence or disability of the commissioner of prohibition, or in the event that there is no commissioner of prohibition.

(c) The personnel of the bureau of customs shall perform such duties as the Secretary of the Treasury or the commissioner of customs may prescribe, and the personnel of the bureau of prohibition shall perform such duties as the Secretary of the Treasury or the commissioner of prohibition may prescribe.

Sec. 3. (a) The Secretary of the Treasury is authorized to confer or impose upon the commissioner of customs or any of the officers of the bureau of customs any of the rights, privileges, powers, or duties, in respect of the importation or entry of merchandise into the United States, vested in or imposed upon the Secretary of the Treasury by the tariff act of 1922 or any other law.

(b) The records, property (including office equipment), and personnel of the division of customs are hereby transferred to the bureau of customs.

(c) The division of customs and the offices of director of customs, assistant directors of customs, and director and assistant directors, special agency service of the customs, are hereby abolished.

Sec. 4. (a) The rights, privileges, powers, and duties conferred or imposed upon the Commissioner of Internal Revenue and his assistants, agents and inspectors, by any law in respect of the taxation, importation, exportation, transportation, manufacture, production, compounding, sale, exchange, dispensing, giving away, possession, or use of beverages, intoxicating liquors, or narcotic drugs, or by the national prohibition act, as amended, or any other law relating to the enforcement of the eighteenth amendment, are hereby transferred to, and conferred and imposed upon, the Secretary of the Treasury.

(b) The Secretary of the Treasury is authorized to confer or impose any of such rights, privileges, powers, and duties upon the Commissioner of Internal Revenue, the commissioner of prohibition, or the commissioner of customs, or any of the officers or employees of the Bureau of Internal Revenue, the bureau of prohibition, or the bureau of customs.

Sec. 5. (a) The Secretary of the Treasury is authorized to transfer to the bureau of prohibition such records, property (including office equipment), and personnel of the office of the Commissioner of Internal Revenue as may be necessary for the exercise by the bureau of prohibition of the functions vested in it.

(b) The commissioner of prohibition, with the approval of the Secretary of the Treasury, is authorized to appoint such employees in the field service as he may deem necessary, but all appointments of such employees shall be made subject to the provisions of the civil service laws, notwithstanding the provisions of section 38 of the national prohibition act, as amended. The term of office of any person who is transferred, under this section, to the Bureau of prohibition, and who was not appointed subject to the provisions of the civil service laws, shall expire upon the expiration of six months from the effective date of this act.

Sec. 6. Any action or decision of the Secretary of the Treasury under the national prohibition act, as amended, or of any officer upon whom the power to take such action or make such decision is conferred, shall be subject to the same review by a court of equity as the action or decision of the Commissioner of Internal Revenue under such act, as amended, prior to the effective date of this act.

Sec. 7. This act shall take effect on July 1, 1926.

The CHAIRMAN. If the committee will come to order. At the request of the junior Senator from Pennsylvania I asked the Senate that H. R. 10729 be recommitted to the committee for further consideration. This meeting was called for that purpose. Senator Reed, you had some people to appear here this morning, and we will now hear them as briefly as possible.

Senator REED of Pennsylvania. Mr. Morrison. I will leave it to you, Mr. Morrison, to ask these gentlemen to speak to us. Please understand that we are very much pressed for time, and that we want to come right to the point if we can.

STATEMENT OF A. CRESSY MORRISON, NEW YORK CITY, MEMBER OF THE TARIFF COMMITTEE OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

The CHAIRMAN. Will you state your name and whom you represent?

Mr. MORRISON. A. Cressy Morrison. I represent the National Association of Manufacturers, under the authority of the president, Mr. Edgerton, whose letter I have.

Anticipating, Mr. Chairman, that the committee would be very busy and very much engaged, we held a meeting last night at which we came to a unanimous agreement that the whole matter should be presented by one individual and very briefly, to save your time and the time of the members of the committee.

I first wish to make a clear statement. Our appearance here has nothing to do with the question of prohibition; has nothing to do with any movement for or against prohibition. We believe in the enforcement of the law. We have had no consultations with any one connected with the customs service or the Treasury Department. The movement is spontaneous and is an outgrowth of a chain of circumstances which I must outline in order that you will clearly understand this situation.

At the time that this bill came up under another number before the Ways and Means Committee last spring it was very carefully examined by a number of manufacturers, including the American Protective Tariff League, which was deeply interested in this matter, and that bill had the indorsement of the Secretary of the Treasury and the President of the United States, and we concurred in it. And representing the American Protective Tariff League at that time we intimated our concurrence and we thought that the bill for the reorganization of the customs service was an excellent thing.

We have not changed our opinion. We are not here to oppose the passage of a proper reorganization bill.

Hearings were held on 8998, which was the number of the bill before the Ways and Means Committee. At those hearings the representatives of the prohibition department of the Treasury Department, of the customs department, those agencies representing prohibition, all appeared. I have the hearings with me here. And they all concurred in that bill, and so far as I know from the examination I have been able to make, no suggestions were offered as to amendments to 8998. Apparently the thing was going through with complete concurrence and with our concurrence.

After those hearings were over some executive sessions were held by the Ways and Means Committee and changes were made in the bill which had not been contemplated by us and probably had not been contemplated by many of the witnesses who concurred in the original bill. The bill was reported out under a new number—now 10729—the bill which is before you. It passed without opposition, as the report of the committee stated that that bill had the concurrence of all these witnesses, the Secretary of the Treasury and the President. Coming out under a new number it passed out of our vision and we paid little or no attention to it, because we did not know of it in fact.

Now, when the new session of Congress occurred and examinations were made as to 10729, we found new matter in the bill which had not been the subject of our concurrence and, we felt, had not been the subject of the concurrence of others who had appeared as witnesses, nor of the Secretary of the Treasury, so far as we knew.

When that came over here to the Senate, it came to your committee, Mr. Chairman, with the indorsement which I have outlined, and was reported out by your committee, you making an amendment to which we have no objection at all, but your report copied the report of the Ways and Means Committee and showed this concurrence.

An examination of the bill showed that there was considerable new matter in the bill which troubled us. At a meeting of the American Protective Tariff League, which was held last week, that

is, the board of managers, the bill came up for discussion, and we became so disturbed about it that we felt that we should invite the concurrence of other bodies who are interested in the sustaining of the Customs Service to ascertain if they had the same anxiety. We found that there was little knowledge of this change, and the more the thing was explained we found it was the unanimous opinion that the bill as now prepared would interfere, perhaps, with the proper and full functioning of the Customs Service, already hampered in many directions by lack of personnel and, I think, for lack of adequate appropriation for the splendid work they are doing.

It therefore became necessary, Mr. Chairman, to address ourselves to getting this hearing, and that is why we are here.

The CHAIRMAN. Can you tell the committee what other organizations met with yours on the action you refer to?

Mr. MORRISON. I have a list of the names and the organizations here which I will give you, Mr. Chairman.

The CHAIRMAN. I would like to have this in the record. You had better read it so the members can hear it.

Mr. MORRISON. Yes. I stated that I represent the National Committee of Manufacturers.

Mr. William E. Cliff, of Boston, representing the Home Market Club.

Mr. A. L. Faubel, of New York, the American Protective Tariff League.

Mr. J. A. Arnold, of Texas, representing the Southern Tariff Association.

Mr. Robert Biddle, of Philadelphia, representing the Pennsylvania Manufacturers Association.

Mr. A. L. Green, of Boston, representing the National Association of Wool Manufacturers, National Association of Manufacturers, and Home Market Club.

Mr. J. F. Calbreath, of Washington, representing the American Mining Congress.

Mr. Warren S. Hood, of Vineland, N. J., representing the Scientific Apparatus Manufacturers of the United States, the Illinois Glass Co., Kimble Glass Co., Central Scientific Co., and Fischer Scientific Materials Co.

Mr. John I. Tierney, of Washington, representing the National Association of Chemical Manufacturers, who, we understand, is on his way and will arrive on a later train.

And if Mr. Heckey representing the Connecticut Manufacturers' Association is in the room? If he is not here he is expected.

And Mr. Clarence Oddie of San Francisco, representing the California Manufacturers' Association.

Senator REED of Pennsylvania. Mr. Morrison, most of these gentlemen seem to be exponents of protective tariff. Do your suggestions relate just as much to a tariff for revenue only? There is no question of high or low tariff in what you have to say?

Mr. MORRISON. Oh, not at all. The question relates entirely to the efficient administration of the laws relating to tariff all over the country, and I wish to say that whether it was a revenue tariff or a protective tariff, I think we are all in favor of the best possible administration of the law, because this committee can not calculate

on revenues without being sure of efficient collection. I think we can all agree upon that.

Now, this brings me to the matter very briefly. I wish to emphasize the belief on the part of the organizations represented here that the Customs Service is an extremely faithful service. It is a skilled service. It has traditions going back to the very first law passed by the United States Government, and they are trained men, and they suffer from that tradition because of the salaries, and all the payments which are made, the appropriations made are based on a long train of history. If you were starting a new customs service probably the salaries would be on a very different basis.

I just want to mention one illustration to show the anxiety of manufacturers and the anxieties of those who desire revenue when I say that in the customs service you may find a single man whose judgment is final so far as the importer is concerned, passing upon millions and millions of dollars worth of goods in a year, up to \$40,000,000 and \$50,000,000 worth of goods in a year, whose pay after years of service is only \$2,400 a year. It seems entirely inadequate. And that man suffers from tradition, because when the question of giving him more adequate compensation comes up the question is asked, "How much is he getting now?" "\$2,400 a year." "Well, let us give him \$2,800." "Of if he was getting \$3,600 a year—" "Let us give him \$4,000." I merely state that to show how he suffers from tradition.

"I have here the Treasurer's report for this year in which he says that the service is 200 undermanned at the present time. I desire to call your attention to the fact that the Importers' and Merchants' Association of New York have encountered difficulties because of this undermanning and have protested to Washington urging that the personnel be filled up. So you see, you have a service that is efficient, able, trained, and doing its full duty.

The CHAIRMAN. Mr. Morrison, yesterday in the Senate we gave not only an increase of \$505,000 for the deficiency of last year, but \$400,000 more in order to equalize the service in the field with that in the District of Columbia, and also to take care of the additional employees that are really necessary for the service.

Mr. MORRISON. Mr. Chairman, I congratulate the Senate, and I hope that the Senate conferees will stand firmly for that much deserved advance.

The bill, the original bill as introduced, H. R. 8998, made a very distinct and clear separation of the customs service, but it did comprise the prohibition service with the Internal Revenue, to which we have no objection whatsoever.

The CHAIRMAN. To save time, take the bill up that we have before us, Mr. Morrison. Never mind the House bill.

Mr. MORRISON. Very well. Under existing laws substantially all rights, privileges, powers, and duties relating to the enforcement of prohibition and to the enforcement of the narcotic laws are imposed upon the Commissioner of Internal Revenue and upon his assistants, agents, and inspectors. Under section 4 of the bill these rights, privileges, powers, and duties are transferred from the Commissioner of Internal Revenue to the Secretary of the Treasury, and he is authorized to confer or impose any of them upon the Commissioner

of Internal Revenue, the Commissioner of Prohibition or the Commissioner of Customs.

Our objection to that provision is that we do not wish the customs service, already undermanned, diverted toward the enforcement of prohibition beyond their regular duties, which is the enforcement of the laws against smuggling.

The CHAIRMAN. To save time, Mr. Morrison, I had better read at this time a letter that I have received from General Andrews, dated this morning, as follows:

Hon. REED SMOOT,

Chairman Finance Committee, United States Senate.

MY DEAR SENATOR: It is our understanding that objection has been made to the bill known as our reorganization bill in that it may give the Secretary authority to transfer into the Customs Bureau certain duties not now there in regard to the enforcement of the prohibition laws. This was never the intention of the department. It is the intention of the department to maintain the present clean-cut division between customs and prohibition, and even to emphasize it by setting up an independent bureau organization for it.

It is possible that this objection has arisen due to the inclusion of the phrase "or the commissioner of customs" in the first line, page 4 of H. R. 10720, the bill now before your committee. In case the existence of this clause forms the basis for the objection, the department will gladly approve its omission from the bill. Any minor adjustments contemplated under this clause can be well enough taken care of otherwise without weakening the main purpose of the bill. Our greatest concern is for the earliest possible enactment of this law which will admit the introduction of greatly improved efficiency of administration both in customs and in prohibition.

Trusting that the above statement may facilitate the hearing to-morrow.

Very sincerely yours,

L. C. ANDREWS,
Assistant Secretary.

Now, that being the case, I call your attention to the fact that on page 4, carrying out the effect of the letter, we could strike out after the word "Prohibition," "or the Commissioner of Customs," and in line 3 strike out "or the Bureau of Customs," and after the word "Revenue" in line 3 put in "or" there, so that it would read "or any of the officers or employees of the Bureau of Internal Revenue or the Bureau of Prohibition."

Mr. MORRISON. That is a most gratifying letter, Mr. Chairman, and meets our main objection.

The CHAIRMAN. Now is there anything else, Mr. Morrison, that you want to call to the attention of the committee?

Mr. MORRISON. Yes. There are two slight suggestions. The main objection has been entirely removed, and we are most gratified at this attitude on the part of General Andrews.

There is on page 3, line 10, after the words "assistant directors" a comma, and then the words, "Special agency service of the customs." We want to put in the words, "of the".

The CHAIRMAN. Well, do you not think that the comma is sufficient there?

Mr. MORRISON. I think the comma is sufficient there, but a great many people have misread that section.

The CHAIRMAN. Of course you could put in "and". That would be a repetition of the word on line 9, however. It would be all right. I do not see any objection to that at all. But I think the comma would answer the same purpose.

Mr. MORRISON. Mr Chairman, I agree that legally the comma does answer the same purpose, but I found a great many people have misread that section and felt that it abolished the special agency service.

The **CHAIRMAN.** Well, of course, there would be no objection to it, but I think it is just the same. It is just to clarify "of the".

Mr. MORRISON. Now there is one other suggestion which we desire to make and it may or it may not be acceptable. Of course we do not care to press it. Our main objection is removed, and we are in favor of the passage of the bill.

The **CHAIRMAN.** You say there is one other matter. I want to ask you another thing. I have a number of telegrams this morning protesting against the amendment that the committee made on line 11, page 1, by striking out the words "Secretary of the Treasury" and inserting "President, by and with the advice and consent of the Senate". I also have a great many letters on the same subject. These telegrams, however, have come this morning. They are from the Massachusetts State Pharmaceutical Association; Adolph Heintz, president Milwaukee Pharmaceutical Association; the West Virginia State Pharmaceutical Association; William M. Reinick, president Wisconsin Pharmacy Association.

Senator REED of Pennsylvania. Have you anything to do with those telegrams?

Mr. MORRISON. Nothing whatever.

Senator REED of Pennsylvania. Has your association anything to do with that question?

Mr. MORRISON. So far as we are concerned we have no objection to the amendment made by the Senate Committee. You have not only a perfect right but a perfect reason, perhaps, for any amendment you are trying to make.

Senator REED of Pennsylvania. If the amendments suggested by General Andrews's letter are made you have to add the word "or" in the last line on page 3, Mr. Chairman.

The **CHAIRMAN.** I got that. I did not call attention to it.

Senator REED of Pennsylvania. What was your other suggestion, Mr. Morrison?

Mr. MORRISON. Well, the other suggestion is this: Some years ago it was very wisely, we think, suggested at the time of the Payne-Aldrich bill that there were three natural divisions of the customs service; one was the administration of the law—that is, the collection of the revenue—another was personnel, and another was special-agency service. Those three are very important, and they are different branches and require a man-sized commissioner to properly administer them. We see a provision here for an assistant commissioner and two deputies. We most respectfully suggest that instead of an assistant commissioner and two deputies that you make three assistant commissioners, and give each one a separate charge of each separate division, the Collector of Customs, the personnel, and the special-agency service.

The **CHAIRMAN.** That falls in section 2, paragraph (b).

Mr. MORRISON. That falls in section 2, paragraph (b).

The CHAIRMAN. But you will notice that in that paragraph there are the same number that you mentioned in your proposed amendment. It reads:

The Secretary of the Treasury is authorized to designate an officer of the Bureau of Customs to act as Commissioner of Customs, during the absence or disability of the Commissioner of Customs, or in the event that there is no Commissioner of Customs; and to designate an officer of the Bureau of Prohibition to act as Commissioner of Prohibition during the absence or disability of the Commissioner of Prohibition, or in the event that there is no Commissioner of Prohibition."

Then it goes on and says:

(c) The personnel—

And so forth. But above that, section 2 (a) says:

The Secretary of the Treasury is authorized to appoint, in each of the bureaus established in section 1, one assistant commissioner, two deputy commissioners, one chief clerk, and such attorneys and other officers and employees as he may deem necessary.

With that one assistant and two deputy commissioners, why could we not take care of three specific duties required in the customs service?

Mr. MORRISON. So far as section 2 is concerned we suggest no change as regards the administration of prohibition with which we have nothing to do.

Senator HARRISON. You say you have nothing to do with the prohibition?

Mr. MORRISON. Well, that is a very ingenious question and I refuse to answer, on the advice of counsel.

But in the customs service there are three natural divisions, and all that we suggest is that instead of an assistant commissioner and two deputies you have three assistant commissioners, each with the separate divisions.

The CHAIRMAN. You have the proposed amendment there?

Mr. MORRISON. I have the proposed amendment here. I have the proposed amendments.

The CHAIRMAN. Just leave it with the committee, Mr. Morrison, and we will give it consideration.

Senator KING. I would like to ask Mr. Morrison before we proceed—it may not be germane to what you have just discussed, but I have just come into the room: What is the necessity of any change in the present administration of the law which would come under the customs bureau here? Is not the law being reasonably well enforced? Is not the personnel reasonably efficient? Is there any shortage in personnel? Are the Treasury Department and the Internal Revenue failing to function in the collection of customs?

Senator REED of Pennsylvania. The Internal Revenue has nothing to do with the customs.

Senator KING. I know they do not; but I am speaking of all of them.

The CHAIRMAN. The only thing that was changed in here was the customs; and this simply provides that there shall be somebody there with authority. They act now, and before anything can be done finally it has got to be taken to the Secretary of the Treasury.

Senator KING. Well, I am not sure but what that is not a wise thing. But what I am trying to get at is, have you any complaint as to the functioning now of the Treasury Department in the matter of collecting internal revenue, and second, in relation to the customs activity and work?

Mr. MORRISON. So far as the collection of internal revenue is concerned, Senator, I have nothing to say, because I presume that that bureau is being efficiently administered.

Senator KING. Well, now, what fault have you got with the present customs administration?

Mr. MORRISON. We have no fault to find with the present customs administration. We think it is being exceedingly well managed.

Senator KING. Well, why change it?

Mr. MORRISON. Just one moment, if you please. We think they are doing the very best they can under the circumstances. We do complain that Congress has hitherto—I am informed that some action was taken in the Senate yesterday to correct this—the action of Congress hitherto has been rather economical in its appropriations for the collection of this great revenue. The customs service is undermanned by 200 men because of underappropriation, according to the Secretary of the Treasury's statement.

Senator KING. Then the primary object of this bill, as I understand you, is to get more appropriations and larger personnel?

Mr. MORRISON. No.

Senator KING. You pointed to the fact that it was undermanned, that it did not have sufficient appropriations; that Congress was meager in its appropriation. Therefore, the primary thing that you are seeking to get is a larger personnel and more appropriation?

Mr. MORRISON. That was not the purpose, although you asked the direct question and I endeavored to answer the question, and that has brought that phase of the subject before us here. I do not wish to have any inferences drawn from a mere statement of fact. As I say, the service is excellently done. We have no complaint. Except, as a matter of fact, it is short. That is answering your question.

Senator KING. Well, do you believe that this bill will increase the personnel and will increase the salaries?

Mr. MORRISON. Not in any particular whatever.

The CHAIRMAN. You can not increase the salaries.

Senator KING. I understand, but I want to get his inference, because if that is the only object can Congress in the appropriation bill make sufficient increases?

Mr. MORRISON. Congress certainly can.

Senator KING. Or any proper legislation?

Mr. MORRISON. Congress certainly can. This is a reorganization, a better systematizing of the administration of some departments over there, including the department of customs. And this bill is approved by the Secretary of the Treasury. We are coming here and voicing our approval of the bill as amended this morning by the representative of the Secretary.

Senator HARRISON. Senator King was not in, but I think Mr. Morrison's testimony shows that he does not want the customs service hampered or affected in any way by this new organization.

Mr. MORRISON. Yes.

Senator KING. But the point I am getting at is, Why should we, when we are dealing with the prohibition, bring in the customs service into this bill? If the customs service now is functioning reasonably well, and my information is that it is, I am just wondering why we should yoke the customs service, which is functioning now all right, with the prohibition subject?

The CHAIRMAN. Let me call attention to what the Secretary says about it:

The defects of the present system are believed to be many, and among the more important may be mentioned the fact that under the existing organization the Secretary of the Treasury is required to pass upon a multitude of details involving a highly specialized and intricate branch of the law in the course of its administration in the collection of customs duties. The bill will enable the Secretary to impose this duty upon the commissioner of customs while retaining general supervision and control over all customs officials.

It is also considered that the manifold duties of the Commissioner of Internal Revenue in connection with the collection of taxes of themselves impose all the responsibility which that office ought to bear, and for this reason it is deemed advisable that there should be a separate bureau of prohibition created with a commissioner in charge:

Senator KING. I remember what the Secretary stated. I have seen that. But what I am trying to get at is why the necessity of creating a new bureau? It looks to me while we are dealing with prohibition it is regarded as a proper time to create a new bureau in the department, and you know what it means by creating new bureaus.

The CHAIRMAN. This organization, as reported to the Senate, will not employ a single extra person.

Senator KING. The chairman knows the reaching-out processes of the new bureaus. There will be more employees.

The CHAIRMAN. Well, Congress will have to grant an appropriation for it if they do.

Senator KING. I know. You create the bureau, and you get the appropriation.

Senator McLEAN. I would like to ask the witness a question. On page 3, Mr. Morrison, section 4, subdivision (a) reads:

The rights, privileges, powers, and duties conferred or imposed upon the Commissioner of Internal Revenue and his assistants, agents, and inspectors, by any law in respect of the taxation, importation, exportation [etc.] of
 • • • Intoxicating liquors.

What has the Commissioner of Internal Revenue to do with taxing the importation of intoxicating liquors?

Mr. MORRISON. I do not think he has anything to do with it.

Senator McLEAN. You would think so from reading this section. And you will notice that in subdivision (b) these rights, if there are any, which relate to the importation of liquors may be imposed upon the prohibition bureau, the commissioner of prohibition.

Mr. MORRISON. The rights follow the duties.

Senator McLEAN. We do not want to do that.

Mr. MORRISON. No. That is an intricate question of law, sir, and I am not competent to answer just what that relationship is.

Senator REED of Pennsylvania. I understand that under the prohibition law you can not import liquors without permit from the prohibition department, so he has duties there.

The CHAIRMAN. And that section 4 (a) refers entirely to intoxicating liquors and narcotic drugs, and they have that power to-day under the narcotic act.

Senator EDGE. Well, is it not the idea to definitely separate them? They have to-day, as you remark.

The CHAIRMAN. Section 4 (a) only applies to intoxicating liquors and narcotic drugs.

Senator EDGE. If the underlying principle or desire of this bill is to separate them, which I think is a very good thing to do, I think the language will have to be changed considerably. It will be, under section (b) on page 3.

Senator REED of Pennsylvania. Before we go any further, ought we not to have in the record the amendment which Mr. Morrison proposes for section 2 (a)? That is not in the record.

The CHAIRMAN. Have you a copy of the suggested amendment, Mr. Morrison?

Mr. MORRISON. Yes.

The CHAIRMAN. We will put into the record at this point the proposed amendment.

(The memorandum on suggested amendments presented by Mr. Morrison is here printed in the record in full, as follows:)

MEMORANDUM ON SUGGESTED AMENDMENTS TO THE BILL H. R. 10720

On page 2, line 4, after the word "in" strike out the words "each of the bureaus" and insert the words "the bureau of prohibition."

On page 2, line 7, after the word "necessary" add the following: "The Secretary of the Treasury is authorized to appoint, in the bureau of customs, established in section 1, three assistant commissioners, one of whom shall have charge of customs law administration, one of whom shall have charge of personnel, and one of whom shall have charge of investigations. The Secretary is also authorized to appoint in the bureau of customs one chief clerk, and such attorneys and other officers and employees as he may deem necessary."

On page 3, line 10, after the word "directors" add the words "of the."

On page 3, line 25, after the word "revenue" add the word "or."

On page 4, line 1, after the word "prohibition" strike out the words "or the commissioner of customs."

On page 4, line 3, after the word "prohibition" strike out the words "or the bureau of customs."

The CHAIRMAN. Thank you, Mr. Morrison.

Is there any one else present who wants to be heard on this question?

Mr. COLBERG. I would like to make a short statement, Mr. Chairman.

The CHAIRMAN. Very well.

STATEMENT OF ALFRED COLBERG, IMPORTER, NEW YORK CITY

The CHAIRMAN. Will you state your name and whom you represent?

Mr. COLBERG. My name is Alfred Colberg. I do not represent any organization. I am an importer in New York, paying into the customs between half a million and a million dollars a year, and in that manner I come in constant and daily touch with the customs service.

Some four or five years ago we were slowly being squeezed out of business by business competitors who were importing similar goods and undervaluing them and by means of fraud, by means of fooling the appraiser at New York, passing these invoices.

I went to the assistant appraiser about it with information of what was going on and was unable to get anywhere. After about six months of calling upon him and securing no relief, I then went to the special agency service, which is an independent branch and under a director who was entirely independent of the director of customs, and through that branch of the customs and with the information I had, five of these firms were caught red-handed, paid their fines, settled up, and the whole administration of that branch of the appraisers stores has been changed to the good. The assistant appraiser himself, the man to whom I first went, stated that the first year after this change he secured more than \$200,000 additional revenue from these people over what he otherwise would have had.

Now, what I object to in this bill is the putting of the special agency service under the customs. I believe that had that been the case at the time that this came up I would have been unable to get any relief from the special agency. That the assistant appraiser would object to an investigation of his department such as was conducted, and that without the support of his superiors, which he must have had, because he is familiar with the details and they are not, that there would have been no such investigation, that the thing would not have been stopped, and that there would be a very different condition to-day, and that the honest importer has more at stake in this than any members of the American Protective Tariff Association. They are only indirectly affected by dishonest imports, but the importer who is honest is very closely and directly affected.

I believe that merging the special agency service under the customs is something that should not be done without very careful thought and being sure that it will work at least as well, if not better, than the present arrangement.

Senator KING. Who would you give the authority to supervise the special agency of which you speak.

Mr. COLBERG. Well, that is not material to me. I would leave it as it is, independent of the customs.

Senator REED of Pennsylvania. Your suggestion is that we should not abolish the office of director and assistant director of the special agency service?

Mr. COLBERG. Yes.

Senator REED of Pennsylvania. Leave them as they are?

Mr. COLBERG. Yes; leave them as they are. They are independent of the customs, and they should be left as they are.

Senator EDGE. Responsible only to the Secretary of the Treasury, are they not, now?

Mr. COLBERG. Yes; they are responsible only to the Assistant Secretary or the Secretary of the Treasury.

The CHAIRMAN. No; they are responsible to the Secretary of the Treasury.

Mr. COLBERG. Yes, sir. I think it is very important to every honest importer that there be one division, this division of the spe-

cial agency service, with its means for investigation, that is entirely independent of the customs and that can not be influenced by it.

The CHAIRMAN. Well, I can not conceive of an official wanting the goods to come in under value, at very much less than their value would be in a foreign country.

Mr. COLBERG. Well, I should not say that he wanted that, Senator.

The CHAIRMAN. I can not conceive that to be the case.

Senator REED of Pennsylvania. What was his motive?

The CHAIRMAN. Yes; what was his motive?

Mr. COLBERG. The motive, I would say, was this, that this had been going on for some years. That an investigation would show that he had been careless in the appraisal of these goods, as it did show, and that he felt that the Government was getting a good deal of revenue as it was. The duty on these goods is 90 per cent.

Senator REED of Pennsylvania. What class of goods?

Mr. COLBERG. These particular goods at that time were Chinese laces. I have since been interested with the Government in some others. And, by the way, the Government last year paid me some \$11,000 unexpectedly for my services in furnishing this information. And the assistant appraiser simply is overworked there, as most of the companies are in New York. They have more work than they can possibly do, and so much routine work, so much detail work, that an investigation of that sort would simply overburden them and they would sidestep it if possible.

The CHAIRMAN. You do not think that the assistant appraiser or the official was corrupt in any way, do you?

Mr. COLBERG. No; I am confident that he was not corrupt.

The CHAIRMAN. Well then, what you think ought to be done is that he ought to have assistants, more help?

Mr. COLBERG. Well, he most certainly ought to have more help. But that matter has been taken up by the other gentlemen to-day. I merely want to call attention to the necessity of this independent bureau for investigation.

Senator McLEAN. Well, if he were dishonest it would be a good idea to have an independent inspector under some other jurisdiction who would look after him, would it not?

Mr. COLBERG. Well, whether dishonest or not—and I am sure that he was not dishonest—it was just a question of negligence.

Senator REED of Pennsylvania. The effect on the Government is the same whether he is negligent or corrupt.

Mr. COLBERG. Yes; the effect is the same on the Government, the importer, and on the domestic manufacturer, who ought to be protected.

Senator KING. Well, when you appealed to him for redress did he not evince any interest in the matter?

Mr. COLBERG. Well, I brought him the piece of information that such and such an invoice had passed, so I had been told in the trade through sources that I had, at such and such a value, which was much less than the proper value, and he said, "Just leave that with me and I will look into it," and that was the end of it each time. And when I went back at him there was some contention that he had not found any such instance, or something of that sort. The man

was very much overworked, and I could not blame him for not investigating these things. Possibly others come to him. But there is a special bureau for that, and it should be kept entirely independent of the other branch of the service.

The CHAIRMAN. Thank you, Mr. Colberg.

Does any one else want to be heard on this question?

Senator REED of Pennsylvania. Mr. Chairman, I think it is only fair to say that the last section of this bill on page 4, section 5 (b) puts the employees of the prohibition bureau into civil service. That is a question that I do not want to raise here but I reserve the right to raise it on the floor.

Senator KING. Well, I want to raise it here as far as I am concerned.

The CHAIRMAN. Well, we can do that in committee.

Senator KING. Yes.

The CHAIRMAN. Is there anyone else who wants to be heard?

Mr. GREEN. I would like to say a word.

STATEMENT OF ADDISON L. GREEN, HOLYOKE, MASS., MEMBER OF THE NATIONAL ASSOCIATION OF WOOL MANUFACTURERS

Mr. GREEN. May I make one suggestion, or point, Mr. Chairman? I was very much interested in the suggestion of the man from New York that spoke last. I think, however, that if that proposed amendment suggested a moment ago were read it would take care of that very point. It is important that those three divisions be kept separate so that they can function, although under one head, separately. I think Mr. Morrison's proposed amendment would take care of that.

The CHAIRMAN. The proposed amendment to section 2 (b) as presented by Mr. Morrison. Yes, sir; I think that would take care of that very point which some of us have had in mind.

STATEMENT OF ERNEST W. CAMP, DIRECTOR OF CUSTOMS, TREASURY DEPARTMENT, WASHINGTON, D. C.

Mr. CAMP. I would just like to say one word with reference to the testimony of Mr. Colberg. There is a certain inference that the investigation never would have been made had the control of the special agency service been under the direction of the customs division.

Mr. Colberg came to me some years ago and I believe I gave him careful consideration; and I was thoroughly in favor of the investigation by the special agency service and did all I could to have that investigation carried out. And at the present time the special agents are under the assistant secretary, who is now charged with final authority in customs matters. If certain final authorities now vested in the Assistant Secretary are to be transferred to the bureau of customs it would seem that perhaps the special agents ought to be responsible to the person who has that final authority. Otherwise there would be an investigating body doing the investigating work of the customs service that would be responsible to somebody who is not required to go into the details of customs matters.

Senator REED of Pennsylvania. You think that you would get the same good results as at present if one of these assistant directors were specifically assigned to the work of investigation under the commissioner of customs?

Mr. CAMP. I should think so; yes, sir. And I do not underestimate the importance of the special agency service. I have handled the estimates for the special agency service and I think that the special agents will agree that we have always insisted that their work was of extreme importance, and have never tried to hamper their work in any respect.

The CHAIRMAN. Thank you, Mr. Camp. If that is all, I will ask those present, outside of the members of the committee, to retire.

(Whereupon, at 11.30 a. m., the committee went into executive session.)